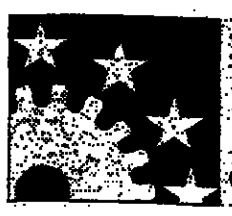

EC industrial policy
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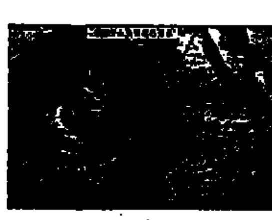

Doomsday machine
France bets its banking system on a 'franc fort'
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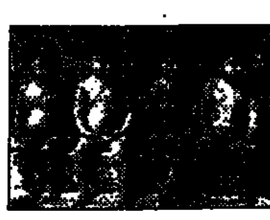

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FINANCIAL TIMES

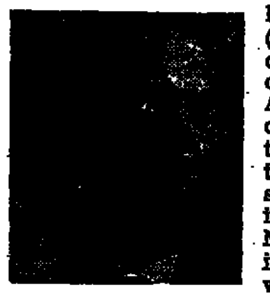
Europe's Business Newspaper | FRIDAY MARCH 26 1993 | D8523A

US Senate backs outline of $500bn deficit reduction

The US Senate approved the broad outlines of President Bill Clinton's plan to cut the budget deficit by $500bn, handing him another substantial political victory. The vote on the budget resolution bill for fiscal 1994 was 54-45, after only two Democrats voted against Mr Clinton. Page 16

Sandoz, first of the three large Basle-based pharmaceuticals groups to report 1992 results, recorded consolidated net income up 34 per cent to SFr1.49bn ($99m), setting a high standard for rivals Ciba-Geigy and Roche. Page 17

Netanyahu voted Likud leader:



Binyamin Netanyahu (left) was elected leader of Israel's rightwing opposition Likud party. At 46, he is the first of the younger generation to emerge as contender for the premiership, due to be contested in three years. Mr Netanyahu, best known in Israel as "Bibi", won the four-cornered contest by a surprisingly large margin of 52.1 per cent of the vote. Page 7

Hermès, French luxury goods group, plans to go public this summer ending an era for the company which has been controlled by the Hermès family since 1837. Page 17

Bundesbank cuts borrowing rate: Pressures inside the European exchange rate mechanism eased after the Bundesbank's surprise decision to cut the interest rate on its three-day treasury bill by 0.9 of a percentage point to 7.5 per cent. Page 3

Barclays finance director quits: Peter Wood, Barclays bank finance director, is to join Standard Chartered. Mr Wood had been a contender to take over as Barclays chief executive until Wednesday's disclosure that the bank intended to fill the post with an external candidate. Page 17

Beijing plans 8m job cuts: China plans to cut 8m staff from its bureaucracy and industrial enterprises, more than 25 per cent of the total workforce. This would be the most sweeping state sector reorganisation since the early years of the People's Republic. Page 7

CGIP, French holding company, is negotiating as part of a consortium to acquire a 25.3 per cent stake in packaging company CarnaudMetalbox from UK building products group MB-Caradon. The MB-Caradon stake is worth about FFr4.8bn ($850m). Page 17

Aerospatiale, French aircraft and missile group, revealed a net annual loss of FFr2.38bn ($420m), compared with a FFr218m profit in 1991, providing the latest evidence of recession in the global aerospace industry. Page 18

Merrill Lynch, largest US securities group, has shuffled its top management structure, creating an office of chairman, to focus on developing client relationships, and one of chief executive, to run the company from day to day. Page 19

General Motors, US vehicles maker, is considering locating a diesel engine plant in Britain in an investment that could be worth more than £200m ($285m). Page 10

Four Catholics killed: Protestant extremists belonging to the outlawed Ulster Freedom Fighters shot dead four Roman Catholic workmen in Castlerock, Northern Ireland. The UDF said it would intensify its campaign.

Italian bail request refused: Requests for the release from prison of two Fiat executives charged with alleged corruption was rejected by a Milan civil liberties tribunal. Page 3

Wellcome, UK drugs group, announced disappointing underlying growth for the first half, driving its shares down 72p to 818p. Interim taxable profits were 38 per cent higher at £324.6m ($460m). Page 18; Lex, Page 16

Togolese president survives: Togo's president Gnassingbe Eyadema survived an overnight assault on Lomé's main military camp. Conflicting reports attributed the attack to "foreign forces" or Togolese dissidents.

Poverty in Latin America: Latin American finance ministers, gathering for an Inter-American Development Bank meeting in Hamburg, have won praise for economic reforms but have not yet tackled the potentially explosive issue of poverty and income inequality. Page 8

■ STOCK MARKET INDICES		
FT-SE 100:	2852.8	(-7.8)
Yield	4.25	
FT-SE Eurotrack 100	1133.08	(+2.42)
FT-A All-Share	1389.64	(-0.4%)
Nikkei	18,764.92	(+314.23)
New York lunchtime		
Dow Jones Ind Ave	3457.90	(+11.62)
S&P Composite	450.04	(+7.55)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	2.952%	
Long Bond	103	
Yield	6.833%	
■ LONDON MONEY		
3-mo Interbank	6½%	(6½%)
Liffe long gilt future:	Jun 105½	(Jun 105½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$18.77	(18.67)
■ Gold		
New York Comex (Apr)	$332.8	(332.7)
London	$332.35	(331.45)

■ STERLING		
New York lunchtime:		
$	1.474	
London:		
$	1.474	(1.4825)
DM	2.42	(2.415)
FFr	8.225	(8.2125)
SFr	2.2425	(2.235)
Y	173.0	(173.25)
£ Index	78.8	(78.9)
■ DOLLAR		
New York lunchtime:		
DM	1.64265	
FFr	5.583	
SFr	1.522	
Y	117.185	
London:		
DM	1.642	(1.6285)
FFr	5.58	(5.54)
SFr	1.522	(1.508)
Y	117.35	(116.85)
$ Index	66.1	(65.8)
Tokyo close Y 117.15		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45		
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira25	Spain	Pta200		
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs65	Syria	S£50.00		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl22,000	Tunisia	Din1.250		
Germany	DM3.90	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000		
						UAE	Dh11.00		

Speaker promises qualified co-operation

Yeltsin unlikely to be impeached as rival retreats

By John Lloyd and Dmitri Volkov in Moscow

THE IMPEACHMENT of Russian president Mr Boris Yeltsin appeared unlikely last night after his main political rival Mr Ruslan Khasbulatov made a surprise about-turn on his demands for such a move.

However, a direct confrontation between the president and parliament is still possible at today's Congress of the People's Deputies.

The turnround by Mr Khasbulatov, speaker of the conservative-dominated parliament, came when he remarked that "frankly speaking, I'm no supporter of impeachment". This follows his declaration on Tuesday that the case for impeachment was "as clear as day".

Mr Sergei Shakhrai, deputy prime minister, said he expected the parliament instead to invoke a clause of the constitution which strips the president of his powers if he attempts to disband or suspend other elected institutions.

The deputies, said Mr Shakhrai, would be invited by Mr Khasbulatov to resolve to bring this clause into play if Mr Yeltsin continued his confrontation with them – and would clarify the clause by laying down that, in that case, the office of president would pass to General Alexander Rutskoi, currently vice-president.

Mr Yeltsin, however, is using the special powers he granted himself under a decree published on Wednesday which forbids anybody but the Constitutional Court to countermand his instructions. The government met yesterday to adopt a package of priority measures on the economy under the president's instructions.

Interfax news agency reported that these included a plan to delay for six months the repayment of foreign debt while emergency stabilisation measures are in effect. No elaboration of this was immediately available. A fund would would be established to stabilise the rouble, drawn from existing foreign exchange reserves and international credits.

A new 8 per cent per month interest rate will be set by the central bank and a rigid limit on credits from the central bank, and a simplification of the system of selling land to the population will be introduced.

Mr Yeltsin, speaking on television last night, said that "an attempt to remove the president is being made behind the back of the voters". Claiming the support of the executives of most of the regions and republics within Russia, Mr Yeltsin said: "The more the Congress meets, the more the people are alarmed." He promised to put a stop to it.

In a prior televised interview, Mr Khasbulatov said that "we cannot let the executive authorities concentrate all power in their hands". In an extended attack on "shock therapy", the radical economic reform the government is now attempting to put in place, Mr Khasbulatov promised co-operation with Mr Yeltsin if he would change the economic course and stabilise prices.

Mr Shakhrai, in his detailed rehearsal of the Congress's expected tactics, said that it would attempt to wrest control of a referendum proposed by Mr Yeltsin for April 25. It would call elections for the presidency and parliament for June 12, and have the Supreme Soviet – the smaller permanent parliament – prepare an electoral law.

Then, forecast Mr Shakhrai, the Congress would be reconvened on June 10 in order to cancel elections. The deputy prime minister said: "Since we have their scenario we are able to plan our counter measures" – but he refused to reveal his next move.

The continued gulf between the two sides, and the determination of Mr Yeltsin to continue with his version of the referendum – seeking support for his measures and a new constitution – now makes any successful compromise unlikely.

Many deputies nonetheless expect further attempts at a deal to be made during the Congress today or, if prolonged, at the weekend.

Elections in the near future have the rhetorical support of all sides but they differ on the form of a referendum, the need for a new constitution, the powers of the president in the period leading up to the elections and the programme of the government.

RUSSIA IN TURMOIL

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Progress made in Bosnian peace talks

By Michael Littlejohns in New York and Robert Mauthner in London

Radovan Karadzic, at the UN yesterday, where he was the only Bosnian leader yet to have signed at least part of a peace proposal

PROSPECTS for a breakthrough in the see-sawing Bosnian peace talks improved last night after the Moslem president of Bosnia, Mr Alija Izetbegovic, promised to sign a key part of the package drawn up by international mediators.

The sudden improvement in the atmosphere of the talks, which only 24 hours earlier had seemed close to collapse, came as the situation on the ground in Bosnia took another turn for the worse.

Mr Cedric Thornberry, deputy head of the United Nations Protection Force in the former Yugoslavia (Unprofor), told a news conference in Belgrade that the eastern Bosnian Moslem town of Srebrenica, which has been under siege for the past 11 months, could fall to the Bosnian Serbs within days.

"There are clear indications that the Bosnian Serb army has not just strategic, but territorial ambitions in the whole area," Mr Thornberry said.

The signal that serious progress at last appeared to have been made at the negotiations in New York, chaired by Mr Cyrus Vance and Lord Owen, was given by the announcement that a plenary session of the peace conference would be held later in the day.

The meeting, which was later postponed for some hours to give Mr Izetbegovic time to consult by telephone with his government colleagues in Sarajevo, would be the first face-to-face meeting between the leaders of the warring parties during the current round of talks.

It followed several hours of intensive negotiations on Wednesday night between Mr Izetbegovic and Mr Mate Boban, the Bosnian Croat leader, who is the only one of the three protagonists to have signed all three parts of the proposed peace agreement.

During their meeting, the Moslem and Croat leaders agreed a number of minor changes to the map of the 10 provinces into which Bosnia would be divided under the Vance-Owen proposals. They also agreed to amendments to a fourth document, the interim arrangements which will cover the period between the conclusion of a settlement and the holding of elections.

Important as the Moslem and Croat acceptance of the peace plan would be, it would not be workable without the signature of Dr Radovan Karadzic, the Bosnian Serb leader, who has been held responsible by western governments for most of the atrocities committed in Bosnia.

Yet the mediators had no illusions that Dr Karadzic, who was on the point of returning home earlier this week after they had chided him for his negative attitude, was any nearer to putting his name to an agreement than before.

According to Lord Owen, his position was far removed from that of the other participants and he was still hoping to create an independent Bosnian Serb state, which could eventually merge with a greater Serbia.

Mr Fred Eckhard, the conference spokesman, nevertheless described the latest developments in New York as "a sudden turn for the better".

"It brings us closer to the objective of getting all the parties to sign on and it narrows the focus of the work that remains to be done to one party on issues arising out of the map and interim arrangements," he said.

Mitterrand comes under renewed pressure from right

By Alice Rawsthorn in Paris

FRENCH conservatives stepped up their efforts yesterday to curb the influence of Mr François Mitterrand, the socialist president, over the government which they will form after Sunday's second round of parliamentary elections.

Mr Jacques Chirac, head of the Gaullist RPR which emerged as the biggest single party in the first round last Sunday, challenged Mr Mitterrand's claims on policymaking.

He said in an interview with Le Figaro newspaper that the conservatives "did not intend to share power with defunct socialism, but would exercise their responsibilities to the full".

The RPR leader, who has this week led conservative calls for the president to resign, is anxious to avoid a repetition of the last *cohabitation* between 1986 and 1988, when he was prime minister and Mr Mitterrand, who was already president, repeatedly out-manoeuvred the conservatives.

Mr Chirac said the conservatives planned to control areas of policy traditionally deemed to fall to the president, notably defence and foreign affairs. He said this could involve France taking a more active role within Nato. Meanwhile Mr Mitterrand,

Continued on Page 16
French cabinet hopefuls line up, Page 3

UK reprieves 12 pits but plans to privatise industry

By Michael Smith and Richard Donkin in London and Andrew Hill in Brussels

THE British government yesterday instructed British Coal to begin preparations immediately for privatisation as it announced plans to save 12 of 31 pits threatened with closure. Another seven pits are to be mothballed, offering hope for rescue later.

A further 12 pits where British Coal intends to stop mining will be offered to the private sector to run along with the seven mothballed pits. Legislation for full privatisation is likely to be brought forward in the next parliamentary session for implementation in 1995.

The government's partial climbdown over pit closures mean that an additional 5,300 jobs will be lost in the short term on top of 8,000 miners who have taken redundancy since last October. The total of nearly 14,000 jobs lost compares with more than 30,000 which were expected under the original pit closures plan in October.

Yesterday's announcement confirmed that the government had rejected some of the more radical measures it had been urged to take, such as the early closure of the magnox nuclear stations, restricting the sale of French electricity to the UK and refusing permission for gas-fired electricity projects.

The revised plan was attacked by trade unions who view it as a short-term measure which will provide only a temporary reprieve for most of the saved pits. However, it received enough backing from Conservative MPs to suggest that there would be no full-blown revolt against it.

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Yesterday's package included a commitment for an unspecified amount of subsidy to allow British Coal to offer tonnages at world prices to the electricity generators.

The committee suggested that up to £500m would be needed over five years, with a subsidy for coal in additional contracts of between £5 and £12 a tonne.

The European Commission has given its broad approval to the proposals after telephone discussions between Mr Heseltine and the two commissioners responsible for the sector, Mr Abel Matutes, energy commissioner, and Mr Karel Van Miert, who is in charge of competition policy.

Mr Matutes and Mr Van Miert yesterday wrote to the British government saying that "on the basis of the information provided", they expected the Commission would take "a positive view" of the UK programme.

The programme will still have to be submitted to the Brussels authorities and receive the approval of all 17 commissioners.

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Russia's politicians try to exploit crisis

By John Lloyd in Moscow

AFTER a week of intense political manoeuvring the main centres of power in Russia find themselves operating outside the constitution. If a compromise can be reached involving President Yeltsin, parliament, the Congress of People's Deputies and the Constitutional Court, it will be between politicians unsure of their authority and the validity of the agreements they may sign.

Into this vacuum, other forces are rushing, seeking to take advantage of an increasingly lawless space.

The radical democrats, Mr Yeltsin's traditional power base, still support him because they have nowhere else to go. Yet, as Mr Yuri Afanasiev of the radical Civil Initiative Group said on Wednesday, they fear that Mr Yeltsin's call for a national popular vote on his presidency and a new constitution is merely another "political bargaining chip" to be cashed in for yet another compromise.

For the hardline communists and nationalists, still demanding Mr Yeltsin's impeachment yesterday, in spite of the apparent turn-around on the issue by the parliamentary speaker, Mr Ruslan Kasbulatov, the president must be removed because of his continued espousal of radical market reform.

The revived Communist party, which has a number of determined politicians in its leadership, has identified the popular dissatisfaction with reform as their main political weapon and will pursue this whether or not Mr Yeltsin survives any vote today

But the centrist group now appears not to have the will to pursue Mr Yeltsin to this conclusion. Mr Khasbulatov's breathtaking throwaway remark yesterday that "frankly speaking, I'm no supporter of impeachment" shows that he reckons he has not got the votes for it.

He is probably preparing to hobble Mr Yeltsin through the use of stripping him of his powers if he oversteps his authority.

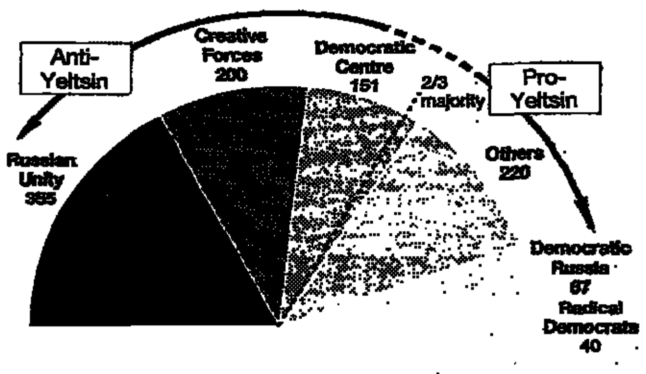
The centrist position was rehearsed in yesterday's Rossiskaya Gazeta by Mr Alexander Vladislavlev, deputy head of the Union of Industrialists and chairman of the "Obnovleniye" (Renewal) party. Playing down the issue which has convulsed Russian political life, Mr Vladislavlev said reform was proceeding in enterprises large and small, and that a government of national unity was needed.

The centrists really are centrists. They recoil from the radical reform of Mr Yeltsin's cabinet. But, when push comes to shove, they recoil also from the fury of the hardliners. They wish to constrain, but not to dismiss, the president.

A common position now emerges – the call, voiced by Mr Vladislavlev, by the trade unions, by leaders of autonomous republics and the regions for elections for a president and for a parliament. So fluid is the political situation that almost every group believes it has a chance to improve its position.

How the congress lines up

Total : 1,033 seats



STAR TURN: Russian soldiers in drill practice yesterday. The army says it will not intervene in the struggle between President Yeltsin and parliament

Richest republic waits and watches

By Leyla Boulton in Yakutia

YAKUTIA, the biggest and richest republic within the Russian federation, is waiting to see whether pro- or anti-Yeltsin forces will win the impeachment vote today in the Congress of People's Deputies.

"We are waiting to see which side will turn out to be right," jokes Mr Gavriil Struchkov, editor of a liberal newspaper, Sakhada (Land of the Yakuts). Some 6,000km north-east of Moscow, Yakutia – or Sakha, as it prefers to call itself – has much at stake in the showdown between President Boris Yeltsin and the parliament.

A statement by the local republican government and parliamentary leaders on Monday simply condemned power struggles in Moscow without blaming Mr Yeltsin or Mr Ruslan Khasbulatov, the parliamentary speaker. But some local reformists said yesterday that a victory for parliament would give the cautious Yakut leadership a freer hand to reverse economic reforms.

This is already happening as falling production and raging inflation are being blamed on privatisation, said Mr Fedot Tumusov, head of parliament's committee for market reforms and entrepreneurship.

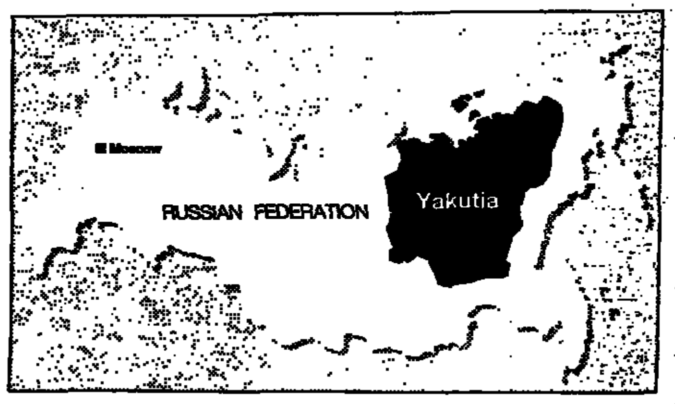
"A year ago I would have doubted reforms could fade," said Mr Vladimir Danilov, deputy chairman of the state privatisation committee. But Mr Mikhail Nikolayev, the Yakut president, had recently supported a decision to weaken his committee by splitting it into two. Only one privatisation auction, offering shares for vouchers distributed to the population, had been held.

Mr Danilov said that if Mr Yeltsin was again defeated at today's Congress, it would only be a matter of time before Mr Anatoly Chubais, the energetic Russian privatisation minister, was removed and his mass privatisation strategy dumped.

However, if strong presidential rule and energetic reforms were pursued by the centre, there would be less leeway, indeed less incentive, for Sakha to go its own way. A failure to stabilise Russia's finances and restructure the economy could encourage rich regions such as Yakutia to introduce their own currencies and withhold diamonds and taxes from the centre.

The producer of 98 per cent of Russia's diamonds and the third largest source of gold, Yakutia has pushed autonomy to the limits promised but never granted under the old communist system. But while declaring its sovereignty and introducing Yakut citizenship alongside Russian nationality, the 1m-strong republic has also pledged to remain part of the Russian federation.

Mr Vasily Alexeyev, chairman of the Yakut parliament's natural resources committee, said his republic now had a fair deal for sharing its diamonds and gold with Moscow. But he said it was important to recognise that Yeltsin was fighting a very real threat of a communist counter-coup. "The many former communists who are talented professionals are needed, but others who just want to return things to the way they were before are very dangerous," said Mr Alexeyev.



Kohl to ask US to step up assistance for Moscow

By Quentin Peel in Bonn and George Graham in Washington

GERMAN Chancellor Helmut Kohl will urge a big increase in US assistance for President Boris Yeltsin's reform programmes, when he meets President Bill Clinton for the first time today.

The precarious state of Mr Yeltsin's government is certain to be a dominant theme of the talks, with both sides having outspokenly pledged support for the Russian leader in his tussle with parliament.

Mr Kohl yesterday welcomed the US president's proposal for a "concrete aid programme" for Russia, which Germany has been urging for months, but underlined that it is now up to the rest of the Group of Seven leading industrialised nations to provide more finance.

"We expect our partners to get more actively involved than they have up till now," he told the German Bundestag shortly before leaving for Washington.

"We Germans have provided more than 50 per cent of all western help so far, with more than DM80bn. . . But with that, we have already reached the limits of what we can afford."

Mr Warren Christopher, the US secretary of state, said yesterday that the US aid programme for Russia that Mr Clinton plans to announce at his Vancouver summit with Mr Yeltsin next month would concentrate on "practical, tangible down to earth, non-ideological programmes for prompt assistance to the Russian people."

Mr Christopher said Mr Andrei Kozyrev, his Russian counterpart, had "pleaded" for technical assistance at the micro-economic level in his talks in Washington this week.

US bilateral aid would focus on micro-economic programmes in fields such as energy and housing, Mr Christopher said, acknowledging that in the past aid for Russia had been "halting and inadequate".

Macro-economic assistance to stabilise the Russian economy and ward off imminent hyperinflation would be primarily multilateral, and would be announced by the G7 after the Vancouver summit.

UN effort to halt Bosnia onslaught

By Laura Silber in Belgrade

THE commander of United Nations forces in Bosnia, General Philippe Morillon, arrived in Belgrade yesterday to try to stop a Bosnian Serb onslaught in eastern Bosnia.

Bosnian Serbs were reported to be poised last night to overrun the besieged Moslem enclaves of Srebrenica and Zepa, which would force a refugee exodus and prove a serious reversal for the international peace plan granting the area to Moslems.

Gen Morillon's visit to the Serbian capital reflected a belief that the Serbian president, Mr Slobodan Milosevic, would be able to exert pressure on ethnic Serb forces in neighbouring Bosnia.

"I have come to ask him to help me implement every demand. The most urgent being a permanent ceasefire and an air corridor around Srebrenica ... If that cannot be achieved I will be obliged to report back to the security council," the French general said.

In an earlier meeting with Mr Milosevic, Mr José Maria Mendiluce, the special envoy of the UN High Commissioner for Refugees (UNHCR) tried to win access for relief organisations to Srebrenica, where up to 60,000 Moslems have been trapped for nearly eleven months by a Serb siege. Despite assurances from Mr Milosevic that he would lend his influence to get UN access, a UNHCR official said: "We are not terribly optimistic. We have been given such assurances in the past which have not borne fruit."

A UN official yesterday warned that Srebrenica was in imminent danger of falling to Bosnian Serb forces.

At the same time Sarajevo radio said Serb forces had launched an attack on Zepa, a smaller Moslem enclave, south-west of Srebrenica.

Mr Cedric Thornberry, deputy head of the UN operation in Bosnia, said the Serb seizure of Srebrenica would have serious political and humanitarian consequences.

"The Bosnian Serb army is moving forward steadily within the area, taking village after village. I am afraid that if there is not a ceasefire the whole of that pocket could fall within 15-20 days," he said.

Serb leaders on Wednesday had agreed to an evacuation of wounded Moslem soldiers and civilians from Srebrenica in exchange for Serbs from Tuzla, the Bosnian government stronghold. But the helicopter relief operation was suspended after Serb shelling killed at least three people and injured several, including two Canadian UN soldiers.

NEWS IN BRIEF

González puts job on line over charge

MR FELIPE González, the Spanish prime minister, said yesterday he was ready to resign if corruption charges against his Socialist party were proven, Reuter reports from Madrid.

But he added that he was convinced it could never be shown that he or any member of his government had made personal gains by abusing their position.

He made his statement when questioned at a Madrid university conference about specific charges of illegal financing of the Socialist party before the 1989 general election.

Toxic pollution alert on Rhine

The city of Düsseldorf issued a pollution alert for the Rhine yesterday after toxic materials flowed into the river following an accident at the chemicals group Bayer in nearby Leverkusen, Reuter reports from Düsseldorf. The authorities said, however, that there was no serious danger for humans or drinking water.

Oslo pledge on EC 'opt-outs'

The Norwegian government yesterday said it would seek no "opt-outs" from European Community policies, rules and regulations during upcoming negotiations on membership, writes Karen Fossli in Oslo. Mr Bjorn Tore Godal, the trade minister, also believed his country's resumption of commercial whaling would not require dispensation from Brussels.

Brussels to issue steel forecasts

The European Commission said yesterday it would set quarterly forecasts covering production and delivery of a range of steel products to encourage a resolution of the current problems in the industry, writes Andrew Baxter. The forecasts would begin in the second quarter of this year.

Austrian minister loses tax case

Austria's supreme court yesterday confirmed a guilty verdict for tax evasion by former finance minister, Hannes Androsch, Reuter reports from Vienna. Androsch was guilty of evading Sch6.1m ($513,000) in taxes and was fined Sch1.8m in 1991.

Bonn seeks way round ban on military action abroad

By Quentin Peel in Bonn

THE Bonn government has agreed to keep German crews on board reconnaissance aircraft over the Adriatic if the UN Security Council decides to enforce a no-fly zone over Bosnia – but the decision will immediately be challenged in the constitutional court by the minority coalition partner.

Mr Klaus Kinkel, the foreign minister, vice-chancellor and senior member of the Free Democratic Party in the government, will allow his party colleagues to appeal against the decision approved by Chancellor Helmut Kohl.

In the meantime, German crews will not be allowed to fly on missions providing information for UN enforcement. They will, however, be allowed to prepare the Awacs aircraft.

The court will be asked to consider whether keeping German crews on the reconnaissance aircraft offends against the constitution or not. Hitherto, that document has been interpreted to prohibit the use of any German military personnel on active operations outside the Nato area.

Mr Kohl's Christian Democrats insist that the constitution is not clear in its prohibition. The FDP and the opposition Social Democrats insist that such missions require a full constitutional amendment, which the SPD has refused to endorse.

Mr Hans-Ulrich Klose, parliamentary leader of the SPD, yesterday condemned the delicate manoeuvre as "simply ridiculous", and a "crazy piece of government trickery". A colleague called it "an early joke for April Fool's Day".

Even Mr Otto Lambsdorff, the leader of the FDP, said it was absurd and remarkable. But he, like Mr Wolfgang Schäuble, the parliamentary leader of the CDU, roundly blamed the opposition for forcing them into it: it was the refusal of the SPD to agree a constitutional amendment which left the coalition condemned to contortion.

Lawyers warn that the court may simply refer the issue back to Bonn for a constitutional amendment.

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Uncertainty over the final result fuels debate over key posts

French cabinet hopefuls line up

By David Buchan in Paris

ASSEMBLÉE NATIONALE
Elections '93

FRANCE'S national election debate is fast giving way now to the Paris parlour game about who will get which cabinet jobs in the new centre-right government next week.

It is not yet a betting man's game because there are still too many uncertainties. It is not absolutely sure – though very probable – that the neo-Gaullist Republican Rally (RPR) will get more seats than its Union for French Democracy (UDF) partner in Sunday's run-off ballot. If it does, it seems certain that President Mitterrand will have to pick an RPR prime minister. The clear choice is Mr Edouard Balladur, a former finance minister, rather than Gaullist leader, Mr Jacques Chirac. The latter clearly does not want to repeat his 1986-88 stint as prime minister and wants to keep his hands free to reach for the presidency itself.

If, perchance, the UDF were to come out of Sunday's run-off level with or above the RPR, then its leader, Mr Valéry Giscard d'Estaing, would be in the *same* predicament as his rival, Mr Chirac, and would probably also steer clear of the Hôtel Matignon, the premier's residence.

Another uncertainty is what, if any, influence President Mitterrand has on cabinet jobs, especially those in foreign and defence policy where the constitution gives the president a role. In 1986, when he was far stronger politically, Mr Mitterrand was said to have vetoed Mr Francois Léotard, leader of the Republican party affiliated to the UDF, as defence minister. But according to Elysée officials, Mr Chirac exaggerated the president's reservations because the RPR prime minister himself preferred to have a technocrat rather than an ambitious political rival like Mr Léotard in the defence job. The reality may thus be that, like much else in the period to come, Mr Mitterrand's influence will depend on divisions between the new governing parties.


Talent spotter: Edouard Balladur, a former finance minister, will be named prime minister if the RPR emerges with the most seats

Mr Balladur would ideally like someone apolitical like Mr Jacques De Larosière, the present Bank of France governor, as finance minister so as to exert maximum influence himself over that post. But there are too few good jobs to satisfy a power-hungry coalition for the second most important post in the government is to be filled this way.

The finance ministry is thus pretty likely to go to the UDF federation. Mr Edmond Alphandéry, who three months ago refused Mr Mitterrand's offer of one of France's European commissionerships, wants the job.

But he may have to fight the leader of his Christian Democrat party, Mr Pierre Méhaignerie, for it. Another prominent UDF politician, Mr Alain Madelin, has ruled himself out of the finance ministry by advocating a floating of the franc, but may wind up with labour or transport.

Whoever wins the finance ministry will not lord it over the ministers of budget and industry in the way that Mr Pierre Bérégovoy once did as Socialist finance minister; individual budget and industry fiefs could well go to the RPR. More important, the foreign and defence ministries look like ending up in RPR hands. Mr Alain Juppé, secretary general of the RPR, fancies the Quai d'Orsay, despite Mr Chirac's desire that he should stay in his present job to organise the Chirac presidential campaign.

A crustier Gaullist, Mr Charles Pasqua, is touting himself for defence. With perhaps the 1986 precedent in mind, Mr Pasqua has been moderating his tone in recent weeks. Dropping his usual below-the-belt electioneering tactics, Mr Pasqua has been milder than his party's leaders towards Mr Mitterrand.

It is, in theory, of some importance to France's EC partners that the UDF, the more pro-European wing of the new governing coalition, should control agriculture and the junior Quai d'Orsay job of responsibility for EC affairs. It may well do so. Mr Philippe Vasseur, a former chief economics reporter for *Le Figaro*, is gunning for the former, and Mr Bernard Bosson, mayor of Annecy, would like another crack at the EC affairs post which he filled in the Chirac government.

But in practice, the predelictions of the UDF and some of its members may have to take second place to the tough rhetoric against the European Commission's farm and trade policies, on which Mr Chirac has fought the parliamentary elections and will be conducting his presidential campaign.

Fiat executives stay in prison

By Robert Graham in Rome

A MILAN civil liberties tribunal yesterday rejected requests for the release of two top Fiat executives held in prison since February 22 on charges of alleged corruption.

The tribunal accepted prosecution arguments that the two men, Mr Francesco Paolo Mattioli, Fiat's chief financial officer, and Mr Antonio Mosconi, head of Toro, the Turin car group's insurance arm, were liable to influence the course of justice if released.

The decision is a blow to Fiat since Mr Mattioli is one of the four top members of the group's management structure following a reorganisation last December. It is also underlines the determination of Milan magistrates to press charges against the two men for their alleged involvement in the payment of L1.8bn (£821,000) in kick-backs by Cogefar-Impresit, Fiat's construction subsidiary, during the building of Milan's metro. Both Mr Mattioli and Mr Mosconi have served on the Cogera-Impresit board.

Mr Vittorio Chiusano, Fiat's lawyer, commented wryly after the decision: "There was not much hope how the request would be received. He (Mr Mattioli) knew very well how the law was practised in Milan." Last May Mr Enzo Papi, chief executive of Cogefar-Impresit, was arrested on similar charges and held for 55 days in prison until he confessed. Mr Papi's confession, along with that of a Christian Democrat politician, are now being used in allegations against Mr Mattioli and Mosconi.

In other developments in Italy's corruption scandals yesterday, Mr Giuseppe Santoro, a senior diplomat formerly in charge of overseas aid at the foreign ministry, was arrested on charges of alleged extortion and abuse of office. His arrest is part of a wide-ranging investigation by Rome magistrates into the misuse of foreign aid, especially to Bangladesh, Somalia and Sudan that already involves Mr Gianni de Michelis, the former foreign secretary. Yesterday it was revealed that the latter's private secretary, Ms Barbar Coelin, was wanted for questioning.

Also explosive developments are expected shortly in Naples where a series of confessions by local politicians has led to the naming of some of the city's most influential businessmen and political figures.

This week police have carried out a series of unprecedented searches of the offices of all the main parties in Naples. The city's magistrates are understood to be following seven separate lines of investigation of which the most important are misuse of funds following the 1980 Irpinia earthquake, the construction of a metro system and development related to the 1990 World Cup football competition.

Neapolitan politics have been based upon the biggest network of patronage in the country.

Fokker plans big job cuts

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft builder, yesterday announced plans for deep job cuts in response to the continuing malaise in the civil aviation market.

The company, which is due to pass into the control of Germany's Deutsche Aerospace (Dasa), is to eliminate 2,118 out of 12,500 jobs this year, mostly through compulsory redundancies. Fokker said it did not expect demand for new aircraft to begin reviving until 1995.

The job losses had been expected, particularly after the company said several weeks ago that it was again reducing output to match lower sales prospects. Production of the 50-seater turboprop Fokker 50 is to be cut to 20 a year from 27, while the number of new 100-seater Fokker 100s is to fall to 40 from 59.

Fokker said that the job losses and other cost-cutting moves will generate annual cost savings of Fl 270m (£103m). Wages represent some 70 per cent of Fokker's production costs.

The company is also proposing to freeze the wages of its remaining workers.

Correction

Mr Pacini Battaglia

In a report of developments in the Italian corruption scandal in the Financial Times on March 16 it was said that Mr Pierfrancesco Pacini Battaglia was under arrest. We are asked to say that he is not under arrest, is not charged with any offence and is co-operating with the Italian authorities of his own volition.

Bundesbank cuts borrowing rate

By James Blitz, Economics Staff

PRESSURES inside the European exchange rate mechanism eased again yesterday after the Bundesbank surprised some currency dealers by announcing a large cut in the cost of borrowing one of its money market instruments.

The Bundesbank cut the interest rate on its 3-day Treasury bill by 90 basis points to 7.5 per cent. The move came a week after the Bundesbank cut its discount rate by 50 basis points, also to 7.5 per cent.

Some dealers described the move as a significant easing of Bundesbank policy because the Treasury bill rate is sometimes seen as marking the effective floor for all German cash market rates. This is because commercial banks wishing to lend money can approach the bank and offer to sell funds in exchange for Treasury paper at the denominated interest rate.

NEWS: WORLD TRADE

US wants Gatt round over by end of year

By Nancy Dunne in Washington

THE Clinton administration is quietly expanding its focus from "gridlocked" Washington to the deadlocked Uruguay Round with the intention of completing negotiations by the end of this year.

The president's meeting today with German Chancellor Helmut Kohl is seen as crucial to the success of the final push. So will be the Tokyo summit of the Group of Seven top industrial powers in July.

Trade officials from the "quad" (the US, EC, Canada and Japan) met this week to lay out a work programme in the hope of achieving substantive progress for the summit. The focus was market access issues, key to both the Round's conclusion and Congressional approval.

Mr Mickey Kantor, US Trade Representative, has been assembling a new domestic team, generally described as bright, aggressive, and politically astute. Although largely untested in the trade arena, all too soon it must cope with the most complex and intractable trade talks.

Among the neophytes is Mr John Schmidt, a Chicago mergers and acquisitions lawyer, whose appointment to succeed Mr Warren Lavorel as US co-ordinator for multilateral negotiations is still unofficial. Mr Schmidt, who is reported to have been studying up his new brief, was a campaign fund raiser. It is not clear when he would take up his new duties; Mr Lavorel is tipped to succeed Mr Charles Carlyse as Gatt's deputy director-general in Geneva, probably in June.

Mr Rufus Yerxa, Deputy US Trade Representative in Geneva, will provide the only continuity in the political appointments, moving to Washington in the Number Two trade spot, and working initially on the side agreements for the North American Free Trade Agreement.

Ms Charlene Barshefsky, an international trade lawyer, will bring to the Number Three job a thorough knowledge of the issues. She is being criticised, however unfairly, for having represented companies in Mexico, Canada and Japan.

The agreement between the US and the EC to negotiate an expanded market access package is highly satisfactory to US industries comprising the Zero Tariff Coalition, which had to battle both Gatt officials and the US government for recognition that manufacturing needed concrete benefits from the Round.

The industries, including paper, wood products, non-ferrous metals, account for about 30 per cent of the US merchandise trade, but they are facing significantly higher tariff barriers than their competitors.

US officials seem resigned to accepting the farm trade deal, negotiated by Mrs Carla Hills, former US Trade Representative, and EC trade officials last November. But they are insisting that agricultural products - both processed and raw commodities - be included in a comprehensive market access package to compensate the US farm sector for its slight gains thus far.

China takes on the world shipping market

A new-found freedom from state controls will allow more commercial flexibility, Tony Walker writes

CHINA's merchant navy may still be some way from ruling the waves commercially, but the recent "corporatisation" of the China Ocean Shipping Company seems certain to lead to a more aggressive Chinese presence in world shipping.

Mr Zhang Da Chun, executive vice-president of the newly constituted China Ocean Shipping Companies Group, said in an interview that the freeing of Cosco from state control would allow the company much more flexibility to pursue its core shipping interests, developing associated activities in banking, finance, insurance and real estate.

An immediate priority was to expand and modernise Cosco's fleet to include the new generation of container ships, and add a number of smaller dry-cargo vessels. Some of these would be built in China, but Cosco would be guided by the market. "If it is cheaper and better, we will buy abroad, but if all things are equal, we will buy in China," Mr Zhang said.

China, with 20m dwt, ranks ninth in the world in total merchant shipping tonnage, but fourth in container-ship capacity. Cosco itself, which dwarfs the 200-or-so shipping companies in China combined, has more than 600 vessels on its register, or some 15m dwt. It is the world's largest shipping conglomerate.

Mr Zhang said the freeing of Cosco from direct central bureaucratic control represented an enormous chance for the shipping concern. "We will now have much more power in our own hands. Before, if we wanted to buy ships, we were obliged to win the permission not only of the ministry of communications, but also the State Planning Commission."

The new Cosco, with 60,000 employees (it is not clear it needs these numbers), will have some 80 companies under its umbrella at home and abroad, whose activities range from providing bunkering facilities at China's ports to the country's largest road transport company.

Cosco's plans to extend the range of its business activities include establishing a bank and trading corporation, along with redevelopment of some of its valuable real estate which includes hotels in Shanghai, Guangzhou and Qingdao.

It is also investing in Container Port No. 8 in Hong Kong, and is planning to develop its own container terminals in the British colony and elsewhere. Other avenues for expansion include an extension of its bunkering operations, ship repair and maintenance facilities, and agency business.

Mr Zhang also indicated that Cosco was interested in foreign acquisitions.

"Maybe in the future we will buy into foreign shipping lines. We are also planning closer co-operation with other shippers to try to ensure market stability."

Cosco was seeking to increase the scope and range of its activities, he added, partly because of difficulties in the financially "risky" shipping business, including relatively low returns on investment of around 3-5 per cent. Business was especially tough in China these days, because of big increases in stevedoring and other costs.

Mr Zhang firmly rejected complaints by international shipping companies that China was a difficult market to break into. Foreign shippers complain about restrictions on cargoes that might be carried in non-Chinese bottoms, and also about difficulties posed by bureaucratic interference at Chinese ports.

Last year, Mr Zhang said, some 200m tons of imports and exports were cleared through China's ports, of which Cosco shifted 50-60m tons. But he also observed that the volume would be much greater if capacity was increased. This in turn would depend to an extent on foreign investors such as Hong Kong tycoons who were starting to play a more active role in China's port development.

Mr Zhang was vague about Cosco's expansion financing plans, but he indicated that the company was considering a bond issue and was also talking about seeking a listing on the Shenzen or Shanghai exchanges to raise additional capital. He described the present level of borrowing as "manageable" without providing details.

WORLD shipbuilding output reached its highest level in 15 years in 1992, according to latest figures from the London-based Lloyd's Register of Shipping*, Richard Tomkins writes. Completions totalled 18.6m gross tonnes, an increase of 2.5m grt on the previous year.

The industry's high output reflects the peak in orders that preceded the present recession. Since then, orders have slumped: yesterday's figures show new orders exceeding deliveries by 5.8m grt last year.

The world's biggest shipbuilding nations last year were Japan, with output of 7.6m grt, and South Korea, with output of 4.8m grt. Next in the league table were Germany (903,555 grt), Taiwan (698,000 grt) and Denmark (599,878 grt). In ninth place was China with 360,735 grt.

**Annual Summary of Merchant Ships Completed 1992. Lloyd's Register, 71 Fenchurch Street, London EC3M 4BS. Free.*

Japanese urged to take lead on export control rules

By Robert Thomson in Tokyo

THE Japanese government yesterday received a report from a senior advisory body which urged that the country take a leading role in redefining rules on the export of technology with potential military uses.

Once a target of criticism for inadequate export controls, Japan believes that a relatively good record more recently puts it in a strong position to lead the debate on developing a new regime to prevent the proliferation of weapons of mass destruction.

The Security Export Control Committee delivered a report listing general recommendations to the Ministry of International Trade and Industry, which will now be responsible for drawing up specific lists of countries and products which need to be controlled.

The committee raises concerns about the export of items not under the control of the Co-ordinating Committee for Multilateral Export Controls (Cocom) but which may have military applications.

The committee particularly questions the safety of the "know" standard used by such countries as the US, UK and Germany. If the exporter "knows" technology may be used for military purposes, then official approval is needed. The report suggests tougher controls are needed, "based on clear and objective standards", not subjective conditions "such as whether the exporter knows how goods to be exported will be used".

The committee advises the government to help Asian countries in setting up export control systems and encouraging their participation in international security. It suggests Japan "strengthen the international control of conventional weapons exports".

But pressing the conventional weapons issue will also test Tokyo's powers of diplomacy, as it may bring the country into conflict with the US and other leading arms exporters.

Italy warned on disrupting single market

By Andrew Hill in Brussels

THE European Commission yesterday warned Italy not to disrupt the barrier-free internal European market by unilaterally imposing quotas on parallel imports of shoes, ceramics and silks from other EC member states.

Mr Claudio Vitalone, Italian trade minister, has written to Sir Leon Brittan, EC trade commissioner, seeking to restrict the entry of goods made in state trading countries such as China, Vietnam and North Korea which are re-exported to Italy from Britain, the Netherlands and Germany.

If Italy wanted to enforce such quotas it would almost certainly have to reimpose border checks on goods from other EC member states. The problem arises because EC ministers have so far failed to agree plans to scrap or harmonise national quotas on non-EC imports.

A spokesman for Sir Leon said the letter promised liberalisation of hundreds of quantitative curbs on products from other non-EC countries. The Commission would welcome the lifting of restraints, but warned Italy to stick to EC rules if it wanted to establish new quotas.

But any attempt to establish internal EC quotas using Article 115 of the EC treaty would be "completely against the single market". Italy is reserving the right to use Article 115, even though the lifting of barriers on January 1 should have made it obsolete. "It would amount to the re-erection of national borders, exactly what the single market tries to avoid."

Sir Leon has opened legal proceedings against Britain, the Netherlands and Germany for unilaterally abolishing or extending national quotas on goods from state trading countries. But he believes parallel imports are a natural and desirable part of the single market. The Commission is examining Britain's response to its request for more information on its quotas, and is awaiting replies from the Germans and Dutch.

Argentina told to push patent protection law

By John Barham in Buenos Aires

THE US has warned that Argentina must rapidly approve patent protection legislation which has lingered since 1991 if it is to avoid being targeted for trade sanctions.

On April 30, the US Trade Representative's office reviews progress worldwide in intellectual property protection. US officials say the office could list Argentina for sanctions under the US Trade Act's Section 301 unless the Argentine congress approves the bill by the end of April. The UK, France, Germany and Japan are also seeking patent protection.

Argentine pharmaceutical companies and their allies in the congress are successfully resisting the pressure. On Wednesday, a key congressional committee voted to postpone debate until Gatt's long-delayed Uruguay Round ends.

Mr Pablo Challu, executive director of CILFA, a local laboratories' trade body, said: "We are not opposed to paying an adequate royalty." He suggests one tied to Argentina's share of pharmaceutical world trade, a sum he estimates at $22m (£15.4m) a year, or 0.9 per cent of annual sales of $2.6bn.

CILFA also demands that patent holders be denied a legal monopoly over products they have developed, claiming that higher drug prices would cost Argentina $500m a year.

Bombings put focus on India's criminals

Stefan Wagstyl on the growth of Bombay's underworld and its links with politicians

WITHIN five minutes' walk of the police commissioner's office, street traders in Bombay are busy selling contraband – anything from French perfume to Japanese colour televisions. There is even a demand for smuggled condoms.

It is here, working these innocuous-looking stalls in Manish market, that some of the city's most notorious suspected criminals started their careers – among them the two men police believe helped to organise the bomb blasts which shook Bombay earlier this month.

The pursuit of those held responsible for the attack, which left about 300 dead and more than 1,000 injured, has taken the police deep into the Bombay underworld.

The hunt has exposed the scale of organised crime in the city – and the extent to which politicians and businessmen condoned its expansion.

Bombay residents have unwittingly fostered an atmosphere of tolerance of crime which ultimately helped even the terrorists.

As Mr D S Soman, a former city police commissioner, says: "Turning a blind eye to the theft of Rs10 is a little thing, but little things lead to bigger things."

The city's criminal underworld was spawned by its port. Prostitution, gambling, after-hours drinking have long been a part of life, as they are in many other port cities.

With them came extortion and protection, as well as hiring out thugs for the settling of commercial disputes.

The opportunities for crime multiplied with an unsuccessful attempt from the early 1950s to the late 1960s to enforce prohibition in the city. The efforts by successive Indian governments to protect the country's industries through high import duties created further scope for illegal profits.

So did controls on foreign exchange, gold and silver. Smuggled gold alone last year totalled 200 tonnes, worth \$2.5bn (£1.7bn), against legitimate imports of 100 tonnes.

The city's gangs accumulated capital and contacts, principally in the trading centres of the Middle East, including Dubai which has developed into an off-shore haven for Indian smugglers.

With this growing clout came access to the immensely lucrative international drugs trade – especially when war in Afghanistan in the 1980s forced many narcotics smugglers to move their processing operations from Afghanistan and northern Pakistan to safer locations.

With property prices soaring as the city's population grew, gangs diversified into land-grabbing – particularly ejecting slum-dwellers so that their huts could be levelled and the land put to profitable use.

Hindus, Moslems and Christians alike join Bombay's criminal gangs. But Moslems are the most numerous, partly because Indian Moslems are often poorly educated, suffer discrimination in mainstream life and because the most lucrative illegal trade connects India with Islamic countries.

The first to dominate the underworld after the turmoil of independence were mainly Pathan settlers, tall and strong people from Afghanistan with a natural advantage in street fighting.

Their leader was Mr Karim Lala, whom the police suspected of controlling smuggling rings but who escaped prosecution and later engaged in legitimate businesses. Glorified in Indian films as a latter-day Robin Hood, he now lives in semi-retirement aged about 80.

> Bombay residents have in the past unwittingly fostered an atmosphere of tolerance of crime

Other gangs rose to challenge Mr Lala, none more strongly than a group led by Mr Dawood Ibrahim, which established itself in gold smuggling in the 1980s. Mr Dawood Ibrahim's and Mr Lala's followers fought a violent turf-war in which Mr Dawood Ibrahim lost his brother and Mr Lala his adoptive son and heir.

The violence led police to crack down harder on organised crime. In 1985 Mr Dawood Ibrahim, who was wanted by police for questioning in a murder case, fled to Dubai, from where he continued to direct his operations and earned the title of king of the underworld. Mr Baljit Parmar, a veteran Bombay crime reporter who has interviewed Mr Ibrahim, says: "The stories about Dawood Ibrahim are sometimes exaggerated. But he is the most powerful gang leader."

Criminals could not have prospered without co-operation from police and from politicians.

"Such connections are difficult to pin down, but they exist," says Mr Soman.

He says frequent transfers of police between jobs helps to lessen the risk of policemen falling prey to criminals. But the danger persists, not least because 15 per cent live in illegal slums for lack of money and proper housing.

Politicians suspected of gangland links include Mr Pappu Kalani, a liquor distributor who joined the ruling Congress (I) party and became a member of the Maharashtra state assembly and a supporter of Mr Sharad Pawar, the chief minister.

Mr Kalani was arrested last year under the terrorist and disruptive activities act in connection with a murder investigation and is now in police custody.

Another state assembly man, a member of the Hindu militant Shiv Sena party, was arrested under the same anti-terrorism act during the recent riots when guns were found in his car.

Mr A.S. Samra, the police commissioner has said the bombers clearly wanted to cause as much economic damage as possible. He has also said that India's recent economic liberalisation, including steep cuts in import duties, have squeezed the smugglers' profit margins.

So the bombers may have had an economic motive. Police decline to be drawn on the theory that the bombers were paid and supported by an Islamic fundamentalist group which wanted to avenge the destruction the Ayodhya mosque.

Officers point out that Yakub and Mushtaq Memon, the brothers they believe are the prime suspects in the bombings belong to the Memon community, a wealthy group of Moslems hailing from western India who were hard hit in the riots because their homes and shops were singled out for burning by Hindu militants.

The bomb blasts wrought havoc in Bombay. But if they lead to a decline in the tolerance granted to crime in the city, then some good may come from the tragedy. As Mr Pawar, the chief minister, told the state assembly this month, in a veiled reference to the ties between criminals and politicians: "We have made mistakes in the past. Now we must correct them."

Investors, donors ponder Indonesia's new cabinet

President Suharto is steering the ship of state on a more anti-western course. **William Keeling** reports

MEMBERS of the new Indonesian cabinet, named last week, will by now be hunched over desks charting the country's course for the next five years.

They will be aware of anxious people – foreign donors, local businessmen, international investors – looking on, following the replacement of the three ministers who had, since 1988, steered the country's economy.

President Suharto ditched Mr Radius Prawiro, Mr J.B. Sumarlin and Mr Adrianus Mooy. All three were western-educated, liked by donors and Christian, notable in a country with an 87 per cent Moslem population.

Their removal has resulted in some bitter reaction.

"It reflects a more basic anti-western stance," says the head of one foreign broking house in Jakarta. "Those who favoured reform have not been carried over."

His concern is that a shift towards a more Moslem oriented cabinet may signal a slowing of economic deregulation and antipathy toward the World Bank and other western advisers.

Economic policy since the early 1980s has been to exploit Indonesia's comparative advantage of cheap labour to fuel an export-driven economy. In its place, the government might turn to import substitution and the nurturing of higher-technology industries through protection and state subsidies.

But a dramatic change in policy is unlikely. As Mr Manu Bhaskaran, economic research director of Crosby Securities, explains, incoming ministers responsible for the economy maintain "a sensible approach to economic reform."

"Last year Saleh Afiff (the new co-ordinating minister for the economy) called vigorously for reform in areas which were considered taboo, such as agriculture and food processing. These are the reforms foreign investors and donors would like to see," he says.

The rumoured antipathy of the new economic ministers to foreign advisers is also overstated. Mr Mar'ie Muhammed, the finance minister, in his previous post as director-general of tax took advice from, among others, the US Internal Revenue Service.

Mr Sudradjat Djiwandono, the central bank governor with ministerial status, is typical of Indonesia's economic technocrats. Educated in the US, he is an economist by training and a former assistant to the co-ordinating minister of economics.

While the stated aims of the three men to continue their predecessors' policies should comfort reformers, the balance of the overall cabinet has shifted toward those espousing greater state intervention.

Mr Afiff's desire to deregulate the agro-sectors has been made more difficult by the transformation of the National Logistics Agency (Bulog) – which regulates key commodities such as rice, flour, sugar, palm oil and cement – into a full ministry.

He must also face fierce lobbying from private companies which have virtual monopolies, granted by government, in the distribution and processing of many commodities. Indeed, requests for favours from politically well-connected companies are likely to increase with President Suharto entering possibly his last term in office.

This could place the economic ministers under intolerable pressure. And as one foreign adviser notes, if faced with a barrage of demands from vested interests, the ministers may opt to "roll over, play dead and not move forward on economic reform."

Playing dead, however, may be difficult given the presence of donor agencies, which last year pledged \$5bn (£3.36bn) and are increasingly concerned at the close relationship between government and some private companies.

As a result, programmes which should receive donor support, such as participation of private companies in power generation, are already becoming matters of dispute.

Donor officials disapprove of the involvement of the Bimantara Group, led by President Suharto's second son, in the \$4bn Paiton power project and the granting of a monopoly in power supply to five industrial estates in Jakarta to a group of well-connected businessmen.

For ministers, however, to take the side of foreigners against domestic companies can be easily portrayed as betraying national interests.

Ministers may be preoccupied with fending off criticism to the detriment of policy making, a situation which bedevilled the last administration in its final two years. As they take up office, therefore, the biggest challenge facing Messrs Afiff, Muhammed and Djiwandono is to keep economic decisions free of politics.

China to cut 8m bureaucratic jobs

By Tony Walker in Beijing

CHINA plans to cut staff in its vast bureaucracy and among bloated industrial enterprises by more than 8m, or 25 per cent of the total. It is also overhauling its entire bureaucratic structure, abolishing a number of ministries, bureaux and departments and creating new institutions to replace them.

If Beijing presses ahead with staff cuts and alterations to ministries – previous grandiose plans for bureaucratic reform have foundered – it would amount to the most sweeping reorganisation of the state sector since the early years of the People's Republic.

Ministers have also pledged to increase wages of state employees, partly to stem an alarming exodus of some of the government's more talented people to the private sector.

The government's timetable for these changes has not been spelled out.

Western officials note that Mr Deng Xiaoping, China's supreme leader, called for wholesale bureaucratic reform in 1979, but progress has been extremely slow because of resistance from entrenched interests.

But the recent explosion in the Chinese economy – economic growth last year was close to 13 per cent – had strengthened arguments for accelerated reform of China's sprawling state sector.

One official said that, while scepticism was in order about China's likely success in "downsizing" its giant bureaucracy, "what's going on here is not smoke and mirrors."

Perhaps the most important aim of the restructuring, apart from reducing numbers, was to strengthen policy-making departments at the centre, while hiving off sections of the bureaucracy engaged in commercial activities into decentralised corporations.

Sketchy details of the government's plans to slash staff were disclosed at a Beijing press conference this week by Mr Zhan Dongwan, the minister of personnel, who outlined cuts of more than 25 per cent to state industrial enterprises, and 20 per cent to party and government agencies.

He said government staff totalled 34m. Party employees and bureaucrats number 9.2m. The plans are being debated at the current session of the National People's Congress, or parliament. A number of deputies have opposed the changes.

Mr Zhan pledged that the "mass lay-offs" would not spawn unemployment. Redundant staff would find work in other areas such as the service sector, or would "return to the grass roots." Others would be retrained. The retirement age would be strictly enforced.

"Government organisations at all levels are overstaffed which runs counter to our market economy," he declared. Among changes proposed to the ministerial structure are abolition of seven ministries: Energy, Machine Building and Electronics Industries, Aviation and Space Industries, Light Industry, Textile Industry and Commerce and Supplies. In their place the government is proposing five new ministries.

MR WEI Jingsheng, China's most celebrated dissident, has been shown on Hong Kong television – the first time he has appeared publicly since his imprisonment in 1979, Tony Walker writes.

The "unveiling" of Mr Wei, who is still serving a 15-year jail term, suggests that the authorities may be preparing the ground for his release. His appearance also seems aimed at answering international criticism of China's human rights record.

China is sensitive to continuing criticism in the US Congress, accompanied by threats that it may deny Beijing renewal of its Most Favoured Nation status, vital to its continued access to the huge American market. Beijing, which is bidding to stage the 2,000 Olympiad, is also thought to want to forestall suggestions by human rights groups that its continued detention of dissidents should disqualify it from securing the Olympics.

Mr Wei, an electrician, was accused of passing military secrets to foreigners, and also of being one of the ringleaders of the democracy movement in the late 1970s. The long-serving dissident had never admitted his guilt.

Chinese Communist Party secretary general Jiang Zemin, Deng Xiaoping's anointed heir, at the 8th National People's Congress in Beijing this week. Jiang will preside over efforts on bureaucratic reform when Deng finally steps down

Japanese commercial land prices still falling

By Robert Thomson in Tokyo

JAPANESE commercial land prices fell an average 11.4 per cent last year, the first time there have been two consecutive years of decline, the National Land Agency said yesterday.

The continuing fall reflects the pressure on Japanese banks, much of whose bad loan burden arises from lending to property developers or their acceptance of over-priced property as collateral.

Commercial property values slipped by as much as 24.2 per cent in the area around Osaka, Japan's second largest city, where prices surged above those of Tokyo in the late 1980s during the so-called "bubble era".

Residential prices fell by an average 8.7 per cent nationally, with the largest fall of 22.9 per cent also in the Osaka area, where speculative building of apartments peaked just after the asset price collapse began in early 1990.

The agency said the fall in prices appears to be continuing, although in some residential areas of Tokyo buyers have re-emerged in recent months, believing that prices are near their bottom.

Commercial prices are particularly weak, as developers have continued with projects in the hope that the market would improve, creating an ever larger glut of office space in areas of Tokyo and Osaka.

Japanese banks are hoping that the property market will be stimulated by the work of their Co-operative Credit Purchasing Company (CCPC), which was established in January and yesterday began buying banks' non-performing loans and assessing property collateral.

In coming days, CCPC is expected to release a list of deals done and assessed property values, which the banking industry would like to use as a floor for still falling prices. However, it is expected that the company will be reluctant to assess properties too harshly for fear of prompting further price falls.

Netanyahu voted Likud leader

By Roger Matthews in Jerusalem

MR Binyamin Netanyahu was yesterday elected leader of Israel's right-wing opposition Likud party and is likely to be a strong contender for the premiership when it is contested in about three years' time.

At 46, he is the first of the younger generation of Israeli politicians to emerge as a contender for the country's highest office and can be expected to launch an immediate assault on the performance of Mr Yitzhak Rabin, the prime minister, who led Labour to victory in last June's general election – the result that prompted the retirement of the veteran Mr Yitzhak Shamir as Likud's leader.

Mr Netanyahu, best known in Israel as "Bibi", won the four-cornered contest by a surprisingly large margin of 52.1 per cent of the vote by Likud members, against 26.3 per cent for Mr David Levy, a former foreign minister, 15.1 per cent for Mr Benny Begin, son of former prime minister Menachem Begin, and 6.6 per cent for Mr Moshe Katsav, a former transport minister.

The size of Mr Netanyahu's victory should allow him to exercise authority over a divided party which suffered from a bruising and bitter leadership campaign.

The run-up to the election was marked by an extraordinary allegation by Mr Netanyahu that a senior Likud opponent had attempted to blackmail him over his marital infidelities. Mr Levy, who claimed that the allegation was aimed at him, said in advance of yesterday's result that he could not serve under Mr Netanyahu.

After yesterday's result Mr Levy asked: "Can I co-operate with someone who called me a criminal?" He refused to congratulate the winner but said that he would stay in the party. The other two candidates both said they would co-operate with the new leader. It is believed most other former Likud cabinet ministers also voted for candidates other than the winner.

Mr Netanyahu is best known internationally as Israel's principal spokesman during the Gulf war but has also served as deputy foreign minister and ambassador to the UN. His mastery of television, good looks, and ability to speak in short, pithy sentences, worked in his favour but has prompted accusations that he lacks depth and political conviction.

Akers-Jones asserts his loyalty to HK

By Simon Holberton in Hong Kong

SIR David Akers-Jones, the former chief secretary of Hong Kong who will shortly become China's first expatriate adviser on the colony's affairs, is a little confused.

He has been surprised and yes, a little saddened, by the reaction to his appointment in Britain, the land of his birth. The adjective "perfidious", which China reserves for Governor Chris Patten, has, in the UK at least, now been used to describe his decision to accept Beijing's shilling; his loyalty has been questioned.

"There is no question about my loyalty," Sir David said yesterday. "My loyalty is to Hong Kong and my desire to do all I can to help Hong Kong with its relations with China – to ensure co-operation and understanding."

Sir David's mooted appointment as a China adviser, which has yet to be formally announced, has drawn a cool response from the Hong Kong government, his former employer. Between clenched teeth, colleagues are contemptuous of his decision.

"The Chinese are welcome to him," said one.

Others commented that, in his professional life, he had always been willing to see China's point of view and had advocated a slow development of democracy in the colony. Sir David, who is clearly proud of being chosen as China's first expatriate adviser, says he hopes to be able to contribute advice to China from a different point of view to its local Hong Kong Chinese advisers.

"I have been involved in the political development of Hong Kong for a great deal of my professional life as well as in its planning and infrastructure development. I think I know what we need to do for the territory's future development," he said.

"There is a lack of knowledge in Beijing of how the Hong Kong government works and how decisions are taken. This could be very useful to China and so I hope to be able to bring some of that knowledge and understanding to bear in the advice I give."

As for Hong Kong's political system, he regards the introduction of limited democratic elections, in September 1991, as a retrograde step. They did not, he believes, produce a Legislative Council (the local law making body) "representative of Hong Kong's polity".

He is concerned about the government's plans for elections in 1995 and accepts China's reading of the current breakdown of relations.

"I would like to see the government return to the understandings reached [between the UK and China in early 1990] and the assumptions the Chinese quite reasonably made from those exchanges."

In particular, the Hong Kong government should shelve its plans to create nine new LegCo seats, the electorates of which are drawn from Hong Kong's 2.7m working population. Instead, they should resemble the existing "functional" seats which draw their voters from the professions and business groups.

"One of the achievements of Lord Wilson [the colony's former governor] was the idea of the smooth transition and the 'through train' concept, whereby those elected in 1995 served after 1997. It is an achievement that should not be sacrificed."

NZ cabinet reshuffled

By Terry Hall in Wellington

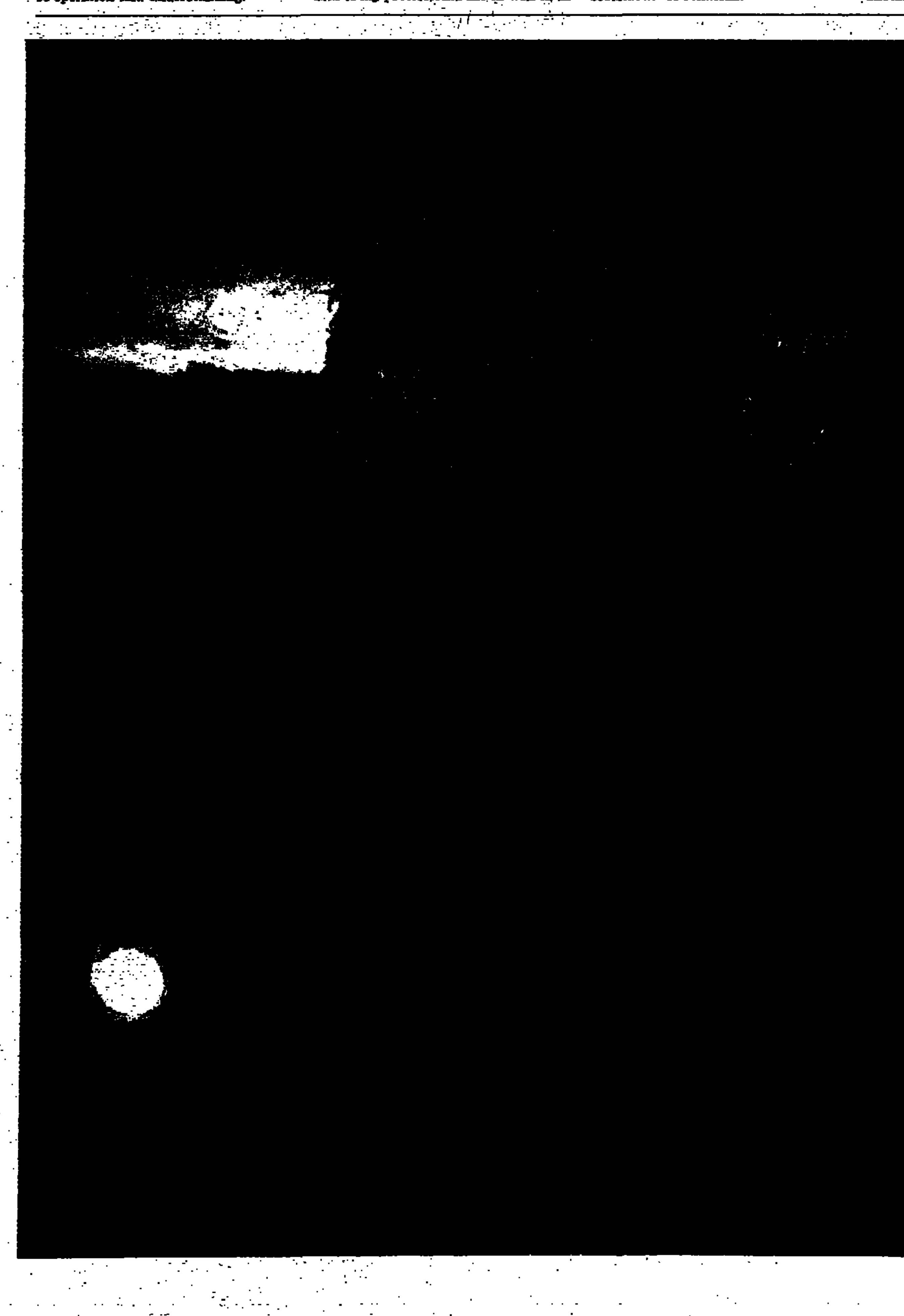
MR Simon Upton, the New Zealand health minister responsible for implementing an unpopular reform of public hospitals and health funding, lost his portfolio yesterday in a cabinet shake-up apparently designed to bolster the National government's chances in this year's general election.

He is being replaced by the Prime Minister Jim Bolger's closest ally, Mr Bill Birch, who is widely acknowledged as the most powerful minister in the cabinet. Mr Birch, known as Mr Fixit, is expected to lead a campaign to explain and popularise the planned changes in the health area. Opinion polls show 75 per cent of voters oppose the changes.

The main surprise was that Ms Ruth Richardson, the finance minister, kept her position It had been widely expected that she would lose her responsibilities for tax matters following widespread disquiet among government backbenchers. Last week Ms Richardson suffered a setback when she was forced to back down on proposed tax changes due to party opposition.

Mr Wyatt Creech, the minister of revenue, who had been expected to be appointed a full associate of Ms Richardson's in the finance ministry, was instead given additional responsibilities as minister of state owned enterprises.

The changes follow opinion polls which show that the government is consistently trailing Labour by between 18 and 20 points.



US home sales fall sharply again

By Michael Prowse in Washington

SALES of existing US homes fell sharply in February for the second month running, but most analysts expect a recovery in the spring following a recent surge in mortgage applications.

Sales fell 6.1 per cent last month to a seasonally adjusted annual rate of 3.55m, according to figures from the National Association of Realtors. This followed a 6.4 per cent decline between December and January.

The fall since Christmas has wiped out most of the market's recovery last year, leaving sales only 2.6 per cent higher than in February 1992.

The figures are notoriously volatile and contrasted with analysts' forecasts of a modest rebound in sales following a weaker-than-expected housing market in January.

The weakness last month was broadly based, with all regions, including the west and south, reporting falling sales. This suggests the decline is not fully accounted for by adverse weather conditions mainly afflicting the east coast.

Economists at Merrill Lynch, the New York broker, predicted a strong sales recovery from next month, reflecting a sharp increase in mortgage applications in recent weeks after the decline in long-term interest rates.

Mr William Chee, president of the National Association of Realtors, said: "More people are becoming convinced the recovery is here to stay. There is substantial pent-up demand to be filled, due to consumer reluctance to enter the market during the recession."

Separate figures published yesterday showed a slight decline in state claims for unemployment insurance to 349,000 in the week ending March 20, indicating labour market conditions are improving slowly.

● Federal Reserve Board chairman Alan Greenspan said there was some reason for optimism that bank lending would improve, although problems remained, Reuter reports from Washington.

In prepared testimony before the House committee on small business, Mr Greenspan said there was some "firmness" in commercial real estate markets and surveys by the Fed indicated banks were feeling less cautious about loans and risk-taking. Nevertheless, the effect on banks of "excess optimism in real estate in the 1980s is not... as yet behind us."

Remember third world, says Bank chief

By Michael Prowse

WESTERN governments must not allow the problems of Russia and other former Soviet republics to divert attention from the needs of even poorer countries in the third world, Mr Lewis Preston, the World Bank president, warned in a carefully timed speech yesterday.

"We must not neglect what is the fundamental challenge of the remainder of this decade: development – economic and social progress throughout the world," he said, noting that 60 per cent of the world's population subsisted on less than $2 a day.

The Group of Seven leading industrial countries is preparing a package of support for Russia.

Mr Preston criticised governments for cutting aid budgets when the list of countries needing help was growing and called on the US in particular to honour its $3.75bn commitment to a planned $18bn replenishment of funds for the International Development Association, the arm of the bank that provides highly concessional loans for the poorest countries.

Bank officials are worried that the US Congress may baulk at approving the US's generous contribution to IDA, which was agreed during the final months of the Bush administration. The fear is that the domestic sacrifices called for in President Bill Clinton's economic plan, coupled with pressure for increased financial support for Russia, will erode congressional support for foreign aid, which tends to be fragile at the best of times.

"Without US approval, the agreement could completely unravel," Mr Preston said, noting that each dollar committed by the US was matched by $4 from other countries.

Support for economic development was the "only solution to the challenges of the post-cold war era", he said. There was a growing "commonality of interests" between rich and poor countries because a fifth of world output was now traded between the developed and developing worlds.

In the US, trade with developing countries was the fastest growing segment of the economy. Helping poor countries was thus "one of the most effective ways to create jobs and wealth here in America", he said.

"Conversely, not helping the poorer countries carries negative consequences for us all" – including increasing numbers of refugees, spread of drugs and disease and the prospect of an "irreversibly damaged" environment.

Franco curbs Brazilian electricity price rises

By Christina Lamb in Rio de Janeiro

PRESIDENT Itamar Franco of Brazil yesterday announced a 30 per cent limit on electricity price increases for April and imposed a limit of 5 per cent above inflation per month for the next five months.

The president's action appears to threaten the radical change in Brazil's energy policy implemented in January to allow state distribution companies to decide their own electricity tariffs.

The new limits were prompted by a decision by the state of Mato Grosso do Sul on Wednesday to raise electricity prices by 56 per cent.

The policy change giving the states a free hand on prices was approved by Congress in January with the aim of recuperating the financial health of Eletrobras, the state holding company, which is owed an estimated $20bn by its distributors. They in turn are owed large amounts by state companies.

Energy tariffs have always been set at one price by the federal government, regardless of the efficiency of the local concessionary, and kept deliberately low by governments to contain inflation. The president of Eletrobras says prices are now at a historic low in real terms.

Under the new legislation the local distribution companies of Brazil's 27 states were told they were free to set their own tariffs from the beginning of April after presenting cost plans to the federal government.

The heads of state companies say price rises allowed under the president's new restrictions are insufficient.

● Poverty in Latin America: As the IADB meets in Hamburg, FT writers look at the plight of individual countries

Lands where rich and poor are furthest apart

By Stephen Fidler, Latin America Editor

LATIN America's governments have won wide praise for economic reform programmes credited with restoring growth and lowering inflation. Investors have responded enthusiastically. Net capital inflows to Latin America last year exceeded $50bn, suggesting much of the region is at last emerging from the debt crisis of the 1980s.

Yet the recession induced by the debt crisis may have left a more lasting legacy that could yet thwart the aspirations of these new investors and reverse the pro-market economic policies that encouraged them. The shift to democracy in much of the region may also be at risk.

The problem is poverty and the related issue of income inequality. Income is more concentrated in the hands of the rich in Latin America than in any other region of the world. In the 1980s, inequalities worsened significantly and poverty increased.

Meeting last year in Washington, the region's finance ministers decided this could undo all their good work. Social objectives – to enable the poor to benefit from growth – were pushed up their agendas. Partly as a result, social issues are a high priority at this year's annual meetings of the InterAmerican Development Bank, starting today in Hamburg.

Yet raising national income is a complicated task; adding specific policies to improve income distribution makes it more so. As a two-year round of presidential elections approaches in the region, the question arises of whether both issues can be tackled in the framework of economic policies still regarded favourably by investors. "Spending more is easy; spending better is difficult," says Mr Gustavo Marquez, a Venezuelan expert on poverty.

A study from the World Bank underlines the deterioration in social conditions in the 1980s. It suggests the number of people in poverty – defined as a household income in 1985 dollars of $60 monthly – in Latin America grew from 27 per cent of the population in 1980 to 32 per cent in 1989. Other estimates suggest a more dramatic increase in poverty through the decade from 130m to 180m, two-fifths of the population. The study also suggests income inequalities grew in all except four countries: Colombia, Costa Rica, Paraguay and Uruguay.

In the 1980s, the study indicates, poverty in Latin America and the Caribbean became a mainly urban rather than rural problem. More of the poor now live in cities (69m) than in the country (64m); in 1980, most of the poor lived in rural areas (53m) rather than in urban areas (39m).

Most poverty is concentrated in a few countries. Brazil alone, with one-third of the population, accounts for 44 per cent of the poor. Mexico had 11 per cent and Peru 9 per cent. A further 19 per cent lived in a small group of countries including Bolivia, El Salvador, Haiti, Honduras and Nicaragua. As much as 44 per cent of the total increase in poverty in the 1980s was in Brazil, and 14 per cent in Peru.

Resolving the poverty issue is on the face of it simple, but in practice hugely complicated. Wealth is so concentrated in Latin America that a relatively modest sacrifice could apparently address the problem. As the World Bank's 1990 World Development Report suggested: "Raising all the poor in the continent to just above the poverty line would cost only 0.7 per cent of regional GDP – the approximate equivalent of a 2 per cent income tax on the wealthiest fifth of the population."

Even if such taxes were levied – and, even less likely, paid – social programmes would still have to be implemented. These fall into two categories: trying to provide support to alleviate immediate suffering; and aiming at longer-term objectives, such as improving education and health standards to provide a way out of poverty.

Yet Latin American experience has been that little of the money aimed directly at the poor reaches them, raising the question of how to manage poverty programmes. Furthermore, attempts to deal with issues such as health and education founder usually against the opposition of powerful vested interests such as teachers' and health workers' unions.

Poverty and Income Distribution in Latin America: The story of the 1980s. World Bank Human Resources Division, 1818 H Street NW, Washington DC.

Caracas residents decide to do it themselves

By Stephen Fidler, Latin America Editor

BARRIO Unión, rising up the slopes of the mountains east of Caracas, is by no means the worst of the slums in Venezuela, one of the region's richer countries. It is a comparatively old *barrios bajos*, having emerged in the 1950s. Most houses are built of cinder-block rather than the chipboard that dominates newer slums. The residents paint a depressing picture of a decline in the 1980s which progressively worsened.

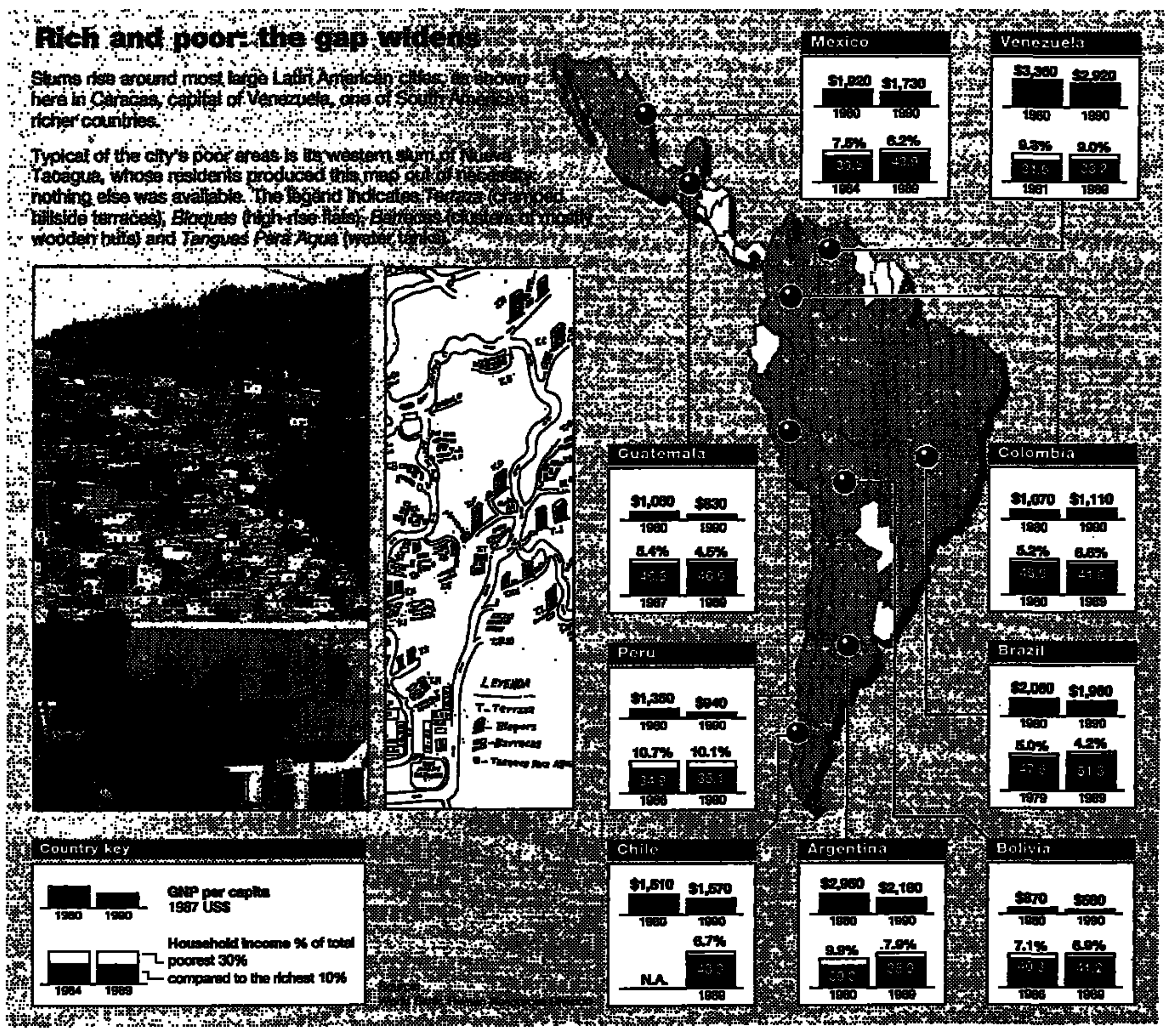
"The years 1988, 1989 and 1990 were disastrous for the Barrio Unión," says a community leader, Ms Cira Macado.

In almost every contact with it, the citizens of Barrio Unión are given reason for deeper distrust. They see police in league with the drug traffickers; soldiers arriving with weapons to sell to criminals; politicians who arrive just before election time laden with promises.

The country is Latin America's most urban society - 85 per cent of the population lives in the cities.

The government put in place "targeted" poverty programmes after the February 1989 food riots. Yet claiming the food and other benefits often means travelling long distances, and hours in queues waiting for handouts.

These targeted measures are described by Mr Gustavo Marquez, an expert in poverty at the Caracas business school IESA, as "the most important effort ever made by any government in Venezuela to support low income groups through an economic crisis". However, although in 1991 the government spent close to $1bn – 2 per cent of GDP – on these programmes, he says they were too little to compensate the poor for the fall in real incomes.



Mr Marquez says the exclusive emphasis on poverty alleviation is misplaced. "We need to produce policies that are able to integrate the poor as consumers and producers in a growing economy. Growth and enhanced availability and access to high-quality social services, particularly education and health, are the proven way out of poverty."

The quality of health and education provision has declined sharply through the 1980s. Government spending on these did not drop drastically, but the allocation of resources is uneven, and often heavily weighted towards administration costs.

Yet not all is not pessimism. The government has enlisted the help of voluntary organisations. It has sought a decentralisation of power and to enhance the role of state and local government.

Channelling money into local projects has, in areas such as Nueva Tacagua, met with significant success. Nueva Tacagua, a *barrio* perched high over the west of Caracas, is home to 100,000 people. In 1989, it suffered fires, floods and collapse of mountainside houses.

The lack of official response prompted residents to take matters into their own hands. In an unusual exercise of democracy, they established a programme for developing the area. Out of it emerged a local leadership, not linked to political parties, and an organisation covering education, health and environment.

However, the extent to which small community groups can be expected to administer a nationwide system of poverty alleviation is open to question. And there is no guarantee that current programmes will continue when the new administration takes power early next year.

Mexico: Salinas leads the attack on poverty

By Damian Fraser

IN THE dusty squatter town of Chalco, in the state of Mexico, slogans for Solidarity cover billboards and houses. Schools, roads and clinics are named Solidarity. Women in blue tracksuits roam the streets promoting Solidarity.

This is Mexico's $2.7bn a year anti-poverty initiative, the most visible government programme of President Carlos Salinas de Gortari. Attacked by critics as a pork-barrel that subverts democracy, Solidarity is hailed by government officials as a leap forward.

The need for some kind of anti-poverty programme is uncontroversial. According to the World Bank around 20 per cent of Mexicans – 17m people – are extremely poor: that is, they do not have enough money to meet minimum nutritional levels. Most of these live in the countryside. They have the lowest levels of education and are from, and have, large families.

Solidarity is intended to integrate these people into the mainstream economy, by giving them critical public services, and letting them benefit from the government's pro-market economic reforms and restructuring (lowering inflation to single digits, reducing middle-class subsidies and reforming agriculture). In four years, Solidarity has provided around 10m people with electricity and water, 8m with drainage, provided half a million school scholarships and created 2,400 small businesses.

Unlike many poverty plans, the Solidarity infrastructure programme does not pour money into depressed areas. It is founded largely on the president's belief that projects that are run locally will be better supported and more efficient. The community must first form a Solidarity committee which requests funds for specific projects. The federal or state government provides basic materials, technical help, and the local Solidarity committee builds its road, school, or clinic.

Since the community is sharing the cost of a project (through time committed) and identifying its own needs, it is unlikely to choose plans that do not benefit it. Further, the federal government saves money. Mr Carlos Rojas, head of Solidarity, estimates that roads are built at 70 per cent of normal cost and schools at 60 per cent.

There are about 100,000 Solidarity committees around the country, forming a network of support for Mr Salinas.

The president has taken care to ensure he is identified closely with the programme: he spends two days a week inaugurating Solidarity projects and handing out land titles, dashing with his entourage of journalists, businessmen, and politicians from village to village by helicopter. The school, clinic, or land title is then widely seen as his personal gift.

The opposition argues that the programme undermines democracy by making it difficult for the opposition to compete.

There is also evidence Solidarity spending is directed politically. Mr Juan Molinar, a professor at the Colegio de Mexico, has just completed an econometric evaluation of Solidarity spending and concludes: "Solidarity is not an apolitical policy for alleviating poverty; on the contrary it is clear that the central planners make the decision to spend based on political and electoral concerns."

Thw World Bank asks whether the Solidarity programme should be more focused on its key programmes. It covers food support for the undernourished, free credit for farmers, risk capital for small businesses, scholarships for children, land titles for squatters, and urgent infrastructure needs, such as as roads, electricity, hospitals, to name a few.

Government officials retort that an all-embracing programme is necessary given the costs associated with the restructuring of Mexico's economy. Mr Donaldo Colosio, social development minister, says: "The network of social protection is crucial given the current economic restructuring, above all the [economy's] technological and productive transformation." Solidarity, Mr Colosio says, is thus helping start new businesses in parts of the country worse hit by industrial restructuring – Puebla, Veracruz, and northern Tabasco.

Mr Carlos Flores Rico, the social development delegate for the state of Mexico, argues Solidarity has helped the Institutional Revolutionary Party electorally not just because it gives public goods away, but also because it gives citizens a stake in their community. "Now people own their houses, electricity, and water whereas before they were outcasts," he says. Their view of the system has changed."

For this reason, even those like the World Bank who believe the structural economic reforms are likely to have a longer term impact than a $2bn-$3bn anti-poverty programme, accept the value of Solidarity.

The programme, they argue, has helped generate political support for economic reforms by giving people tangible benefits instead of just hardship.

Brazil: 'the problem is lack of shame, not lack of money'

By Christina Lamb in Rio de Janeiro

GERALDO MARINHO lives on a hill with one of the most spectacular views in the world. Spread out below is the palm-fringed crescent of Rio's São Conrado beach, lined with luxury apartments blocks, their rooftop swimming pools glimmering in the sun.

Unlike those he looks down upon, Mr Marinho lives with his seven-member family in a crumbling two-roomed shack in Rocinha, one of the many *favelas*, or slums, clinging to the hills of Rio, and the largest in Latin America.

Mr Marinho's home is reached through a labyrinth of narrow passageways, crowded with similar shacks. No door can shut out the fetid smell from the black stream of sewage and litter gushing alongside with its constant threat of diseases such as cholera.

Mr Marinho is one of 43m Brazilians living in poverty. Brazil has one of the world's biggest gaps between rich and poor. The richest 20 per cent earn more than 26 times the poorest.

Despite being the richest economy in Latin America and the ninth largest in the world, Brazil's infant mortality and illiteracy rates rank along with Bolivia and Guatemala as the worst in the continent. The world's second largest food exporter, Brazil has scenes of hunger comparable to famine-struck Africa.

Mr Jutahy Magalhaes, minister for Social Well-being, sums up: "We are simultaneously the most developed and the poorest country in Latin America. We export technology and manufacture satellites yet we have not erased diseases of the middle ages."

Long ignored by politicians, Brazil's "social apartheid" is now provoking hot debate. The army minister has warned of social unrest and President Itamar Franco has called for his ministers to devise poverty eradication programmes after receiving a "hunger map" showing 32m Brazilians suffering chronic malnutrition.

Those in Rocinha are sceptical. "Governments are just for the rich," says Mr Jose Carlos de Souza from the Favela Association.

The rapid industrialisation which transformed Brazil from a sleepy coffee economy to an industrial power and saw an annual growth rate of 7 per cent between 1940 and 1980 served largely to strengthen the grip of the elites. Today's real minimum wage of $64 per month for example is two-thirds of its 1940 level.

The recession of the past three years has worsened the situation, with higher unemployment and inflation.

Brazil's poverty has been made more visible by the rural migration which accompanied industrialisation. Since 1960 the proportion of the population living in cities has risen from 40 to 75 per cent.

Official figures show the number of *favelas* in Rio has increased from 373 to 570 in the past 10 years; in the city of Recife they are home to 44 per cent of the population. According to Mr Jutahy, Brazil's housing deficit is 10m and rising. Most poverty is concentrated in the north-east. The area suffers blistering yearly droughts because of the lack of infrastructure to harness the country's rainfall.

Despite the government's current cash crisis, Brazil's social problems do not emanate from a lack of funds. Rather than tackle the real causes, politicians have offered short-term solutions such as emergency food-baskets, usually around election time.

Much of the money allocated to social programmes is lost through waste and corruption. Mr Jutahy estimates as little as 15 per cent of federal funds reach their intended destinations. A World Bank official says: "This wouldn't be so bad if what was left was spent usefully, but it's not." This has discouraged action by international agencies. Mr Agop Kayayan, Unicef representative in Brazil, says: "I feel like Don Quixote tilting at windmills."

The fact that the problems can be tackled is demonstrated by the recent experience of Ceara, Brazil's third poorest state. Despite inheriting a bankrupt administration on becoming governor in 1986, Mr Tasso Jereissati managed to reduce infant mortality by a third. He says: "The problem in Brazil is far more lack of shame than lack of money."

The Jereissatis in Brazil are few; people are losing hope in the future and all faith in the political system. "We are heading towards an explosive situation," says Mr Jutahy.

Brazil is the world's second largest market for private jets, yet 52 per cent of the working population earn less than $120 a month.

Shocked by the contrast between Brazil's haves and have-nots, particularly visible in Rio, visitors often ask why there is no revolution. In fact, groups from the *favelas* have taken to attacking supermarkets and emptying them of produce. One can be shot for a pair of sneakers or have one's hair hacked off at knife-point. In some ways the revolution has already started.

Marathon debate hailed as Maastricht victory

By Alison Smith

A MARATHON House of Commons sitting of more than 22 hours on the detailed discussion of the Maastricht bill was hailed by ministers yesterday as having broken the back of the legislation's gruelling passage through parliament.

Despite the procedural victory, however, the government still faces serious difficulties on outstanding amendments to the legislation which threaten to unite all the opposition parties and the Tory rebels over the social chapter, which enshrines the social dimension of the Maastricht Treaty.

The all-night sitting of the House of Commons, which finished only at lunchtime yesterday 22 hours after it began, was a significant boost to the morale of Euro-enthusiastic Tory backbenchers.

They had been growing increasingly angry that on several occasions the government whips, the MPs in charge of internal party discipline, had not even tried to force a vote on extending the sittings on the Maastricht Bill (draft law) because they were likely to lose.

"It was nice to have a government win on Maastricht," one loyalist said, while one official commented: "We are in clear sight of the end of the committee stage. We are on track".

The opposition Labour Party admitted yesterday that, unless the government were foolish in trying to force a weekend sitting, they would be able to organise matters so that they could rely on centre party Liberal Democrat support in future procedural votes.

That impression was reinforced yesterday, when Mr Paddy Ashdown, the Liberal Democrat leader, urged Labour to change its approach to the consideration of the bill. "Labour is going to have to change its tactics if its credibility as a pro-European party is not seriously damaged," he said.

Labour and the Tory rebels opposed the government's motion on Wednesday night to allow the extended debate to take place. But the support of the Liberal Democrats enabled the government to win by 17 votes (296 votes to 279), on a division to extend the 17th day of detailed Commons discussion of the bill beyond 10pm.

A total of 26 Tory rebels, five Ulster Unionists, two Scottish Nationalists and one Lib Dem voted with Labour against the extension.

The rapid progress made overnight means that the Commons were able to cover three groups of amendments dealing with the European central bank and national banking arrangements, EC economic policy and national government deficits. MPs continued the discussion of economic and monetary union when debate resumed yesterday afternoon.

It brings closer, however, the critical vote on the social chapter which is already in the schedule, quite apart from the question of whether Mr Michael Morris, the deputy speaker, will allow a further debate on the social chapter. This could aggravate the government's difficulties if more amendments are chosen for inclusion.

The Euro-sceptics insist there is more scope for delay and some said morale was still high because their arguments were getting through. But others conceded that the main debates had been taken. Sir Teddy Taylor, a leading rebel, said that the government had "blitzed through" the main parts of the bill.

With the nineteenth day of debate scheduled for next week, the extended sitting has given the government added assurance that it will be able to complete the detailed committee stage discussion and have time for a report stage before the second Danish referendum on 18 May.

Mr Tristan Garel-Jones, the European affairs minister, said said early yesterday: "We remain on course to complete the committee and report stages before the Danish referendum [May 18] and take the third reading immediately afterwards."

Britain in brief

BBC forms strategic link with ABC

The BBC and the ABC network in the US are joining forces to create one of the largest television and radio news gathering operations in the world. The new alliance will involve sharing bureaux and correspondents around the world.

At present ABC has close links with Independent Television News and the BBC's US partner has traditionally been the NBC network.

Mr Tony Hall, managing director of BBC news and current affairs, said yesterday that the agreement brought together two of the world's largest news gatherers.

The BBC has more than 50 foreign bureaux and ABC has bureaux in Europe, the Middle East and Far East.

BA climbs down on Gatwick pay

British Airways agreed to restore pay cuts of up to 25 per cent it imposed on cabin crew staff at Gatwick airport, south of London, when it acquired Dan Air last November.

The climbdown by BA followed the start of legal action taken by the Transport and General Workers Union on behalf of 280 staff before an industrial tribunal. BA said that it intended to restore the cabin crew staff's basic pay to its original level – backdated to 7 November last year – and to restore pay supplements which were reduced at the same time.

Bank discloses lifeboats

Some small and medium-size UK banks are receiving financial support from the Bank of England, the Bank disclosed.

The Bank of England took the highly unusual step of disclosing that in the second half of 1991 it launched a financial lifeboat for a number of small and medium-size banks.

BCCI ruling on 'set off'

A High Court ruling won by former customers of the collapsed Bank of Credit and Commerce International that they could "set off" deposits against their debts to the bank was upheld yesterday by the Court of Appeal.

Three judges dismissed appeals by Touche Ross, the BCCI liquidators, against two groups of associated companies and their directors who had banked with BCCI.

When the bank was wound up, Impexbond Ltd and Tucan Ltd together owed about £3.3m whilst a guarantor director had deposits worth about £4.5m.

In the second case, director Mr Raees Ahmed had £426,000 on deposit whilst his companies owed over £1m. Both men had signed guarantee forms for their companys' debts.

Airports face noise scrutiny

New measures to control aircraft noise announced by the government will make airports more directly responsible and locally accountable for minimising aircraft noise levels. The government said the system will be based on the existing, mainly voluntary regime of control at most airports. But if voluntary arrangements did not work, airports would be required to develop schemes for controlling noise under a new power to be created.

Banks face £25m payment

National Westminster Bank and Hambros Bank face a possible repayment of more than £25m to investors, following an initial ruling by the Inland Revenue that shares in their "Homeshare" loan-backed Business Expansion Scheme companies were not issued in time to beat the budget deadline.

The budget disallowed loans on BES shares, unless the shares had been issued to investors before midnight on the day before the budget itself. According to the Inland Revenue, it would be left to the discretion of individual tax inspectors to decide whether shares had been properly issued in time for the deadline.

NatWest and Hambros, which sponsored the issue, wrote to investors, and said: "Despite advice from leading counsel to the effect that the shares were issued by the Homeshare companies before March 16 1993 for the purposes of the proposed legislation a preliminary indication from the Inland Revenue is that they do not agree."

The banks said they would pursue the issue with the Inland Revenue "with vigour". If these efforts are unsuccessful they will consider alternative courses of action to provide an exit for investors who would have made use of the loan facility.

Privatisation should help British Coal become more competitive

Reprieve for pits may offer only short-term answer

By Michael Smith

A TRANSFORMATION in the British coal industry was set in motion by yesterday's policy document or white paper. But in three years' time the industry under British Coal – or its successors under the privatisation promised – may be little different in size and efficiency to how the government envisaged it would be before the pit crisis erupted.

Public pressure has forced a reprieve for most of the 31 pits originally earmarked for closure but in many cases the reprieve will be temporary, in some cases it will last perhaps less than a year.

Radical changes in working practices were outlined, for example, the 1908 restriction on hours worked underground will be removed. But privatisation may have made these changes inevitable.

The changes will help British Coal become more competitive, but matching the prices of international competitors by the time of privatisation, probably in two or three years, will be a struggle. If it proves impossible, PowerGen and National Power will look abroad once more for the coal needed above "base tonnage" contracts that must be signed by the end of the month.

By 1995 the coal industry will have to compete with increasing amounts of nuclear power and, more importantly, gas-fired electricity. The chances of keeping all 31 surviving pits open after two years, let alone re-opening the seven which were mothballed yesterday, seem remote.

Relief greeted the news in the gas, electricity and nuclear industries as the radical solutions suggested by some contributors to the coal review were rejected. Mr Heseltine refused to restrict the growth of gas-fired power generation, although he has provided a subsidy for coal to compete with world prices. He said he was considering allowing large energy users to strike direct contracts with generators and not be subject to the wide fluctuations in pool prices. There was also relief for the nuclear industry. The government said it saw no reason to force Nuclear Electric to close its Magnox stations, but it is bringing the nuclear review forward by a year.

Negotiations between British Coal and the electricity generators will continue on additional tonnages above the base contracts. There was nothing in yesterday's document, however, likely to persuade the electricity industry to take anything like the 65.5m tonnes over five years which the government originally hoped for.

Even 40m tonnes will be difficult following the imposition of VAT on domestic fuel prices which will depress the demand for coal.

Michael Heseltine, trade and industry secretary, making his long-awaited statement on energy yesterday to parliament

What has become clear, is that the government is setting a course for gradual privatisation of the coal industry by selling off the 12 pits which are to definitely close and the seven which are to be mothballed. In the meantime, British Coal's powers over potential competitors will be reduced by the establishment of an independent coal authority.

British Coal anticipates the closure of two collieries and the mothballing of seven will mean about 5,800 jobs lost. That compares with more than 30,000 envisaged in October, although more than 8,000 have left the industry since then. British Coal was sanguine about the white paper's outcome. "We accept it represents the best outcome from the review that can be achieved," said Mr Neil Clarke, chairman.

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Recovery in order books set to boost factory output

By Peter Norman, Economics Editor

BRITISH manufacturing industry expects to increase output over the next four months following a recovery in order books to their best levels since the summer of 1990, according to the Confederation of British Industry.

In its monthly survey of industrial trends, the CBI – the employers' organisation – said output expectations "are now clearly positive", having increased for three months in succession.

The latest CBI UK economic forecast, also published today, points to the first economic recovery led by manufacturing industry in Britain since the late 1960s.

CBI officials warned that it was too early to celebrate the end of the recession. More than 40 per cent of companies still consider their order books are below normal while nearly one in four says its stocks of finished goods are more than adequate to meet demand.

Mr Howard Davies, CBI director general, welcomed evidence of improved home and export demand as "another indication that the economy may now be growing again". But he warned that the sharp deterioration in economic trends on the continent meant "we cannot yet be sure that the recession is over".

The CBI polled 1,413 companies employing about 2m people in 50 different industries between February 26 and March 17. Nearly all replied before last week's budget.

The survey found that 26 per cent expect to increase output over the next four months compared with 16 per cent anticipating a decrease and 58 per cent saying output would remain unchanged. The balance of 10 per cent of companies expecting to increase production was the third positive balance in three months and the best result since May last year.

According to Mr Andrew Sentance, CBI economics director, the survey's findings on output were consistent with a rise in UK manufacturing production in the second quarter of this year.

For the whole of this year, the CBI expects manufacturing output to grow by 1.6 per cent compared with its forecast of 1.4 per cent growth in UK gross domestic product.

GM considers UK for £200m engine plant

By Kevin Done, Motor Industry Correspondent

GENERAL Motors, the US vehicle maker, is considering a UK location for a new diesel engine plant in an investment that could be worth more than £200m.

Britain is facing stiff competition from several other potential sites in Europe for one of the largest inward investment projects in the west European automotive industry.

As part of the UK campaign Mr Michael Heseltine, trade and industry secretary, held talks this week in London with Mr Louis Hughes, president of General Motors Europe. Earlier this year a DTI team visited GM Europe's headquarters in Zurich to press the UK's case.

Mr William Ebbert, chairman and managing director of Vauxhall, the UK subsidiary of GM, said the attractiveness of the UK was being hampered by its uncompetitive grant aid regime. "UK grants do not compete with the kind of support being offered by our European neighbours. We want to see a stronger UK manufacturing base and the government could help to attract inward investment through a more liberal approach to grants."

The government has argued to GM that the UK has significant advantages, including lower labour costs, favourable corporate taxation, an expanding components supply base and more flexible labour practices outside the social chapter of the Maastricht Treaty.

According to Mr Hughes, GM is planning investments for the mid to late 1990s in new capacity for both diesel engines and multi-valve petrol engines. "We must find the most efficient way of making these investments. We are looking for the most cost-efficient place." It is expected that the diesel engine plant would have a capacity to produce 200,000 to 300,000 engines a year.

GM has itself already begun to invest much more heavily in the UK and last year began production at its new £193m engine plant at Ellesmere Port, where it will have a capacity to produce 135,000 V6 engines a year. Ellesmere Port would also be the likely location for the diesel engine plant.

Despite GM's claims that UK grants were uncompetitive, Britain has attracted the lion's share of large-scale auto industry inward investment projects in Europe with Nissan, Toyota and Honda all choosing the UK for their first European car plants.

Vauxhall results, Page 22

A rose by any other name might wilt

Changing names is taboo for the Labour Party but not for Rocard, writes Ivo Dawnay

EVEN before the French Socialist party's drubbing at the polls last Sunday, Mr Michel Rocard had raised as part of his "Big Bang" of wholesale reform the question of his party's name.

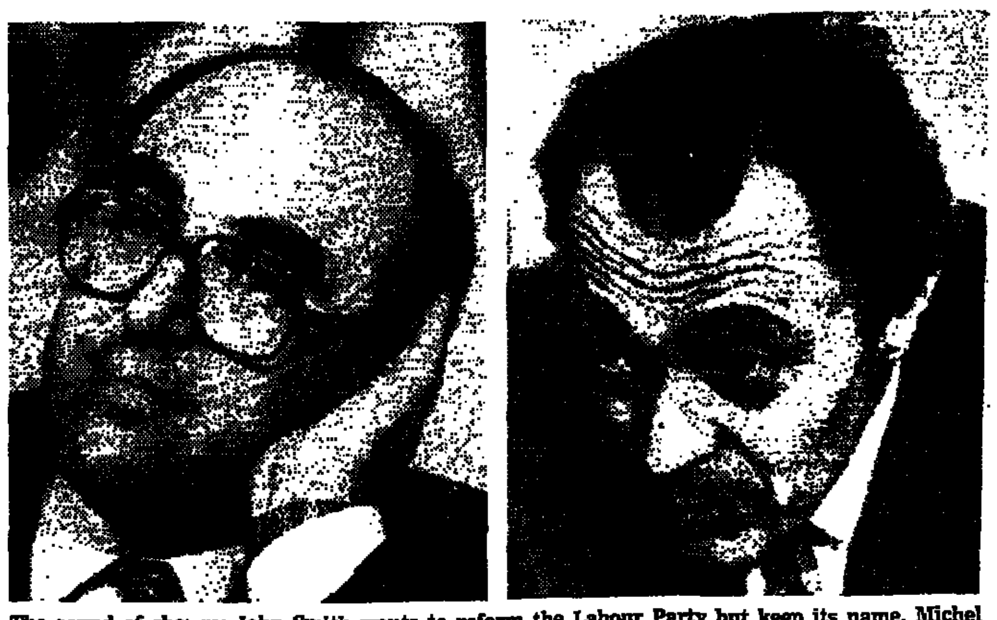
While not coming out unequivocally for change, the-man-who-would-be-president insisted that it was essential that a change in the party's title was not considered a taboo subject for debate.

The French PS – fruit of a three-party coalition in 1971 – has only 22 years of emotional baggage with which to grapple. In the UK in 1959, after four election defeats, the Labour party's grandees momentarily pondered the question of the party's historic name before roundly rejecting a change.

Thirty-four years – and another four consecutive rejection slips from the electorate – later, the issue is still not fit for discussion. Indeed, even though the other great sacred cow – the Labour party constitution's Clause Four commitment to state ownership – has been prodded , Labour leaders are adamant that the name is not in play.

Their main argument is simple identical to that employed to see off any tampering with The Clause. It is that to tackle the question would provoke a cataclysmic internal row. Mr John Smith himself has echoed that reasoning.

Undoubtedly, there is no possibility whatever that the party's name will be changed in the foreseeable future. But that does not contradict the argument that at a time when the party's very *raison d'être* is being discussed, it is at least odd that the product's brand-name – so consistently rejected by the electorate – is a taboo subject.



The sound of change: John Smith wants to reform the Labour Party but keep its name. Michel Rocard wants realignment in France but could go a step further and invent a new 'brand name'

The reason after all why the clause has been raised at all is because some Labour party members tacitly agree with the central premise: which is that, even if the question is largely regarded as an irrelevance within the party itself, it still gravely effects public perception outside. So, indeed, does Labour's name.

So what does the word, Labour, evoke? According to Mr Roy Hattersley, the party's former deputy leader, it conjures "shipbuilding, means tests and national plans". He might have added class conflict, unions, flat caps and the unstated pre-supposition that its enemy is capital – Marxist associations quite as vigorous as those of Clause Four and equally user-unfriendly to modern Britain.

Mr Hattersley makes a telling point, however, when he adds that Labour has its positive associations too, from the National Health Service, created after the Labour victory of 1945, to the whole process of decolonisation. "Political parties," he concluded, "like infantry regiments, need battle honours to lift their morale."

In a more dismissive rejection of the case, the Fabian Society, the democratic socialist organisation, in its draft Labour constitution also invokes the warning that "to change the name would be a dramatic symbol that the party had disowned its history and had become a separate and new entity".

But is that really what it would symbolise? It could equally be argued that the change could be promoted not as a rejection of the past, but a "dramatic symbol" of its radicalism and readiness to evolve with the times. Like the party's new symbol of the red rose it could reflect the past and still be new. What might be disowned is not Labour's proud history, but the negative associations evoked by the outdated class-based politics that the current leadership is so anxious to shed.

It does not require a training in marketing to realise that any change to the party's brand image would have to be weighed up in a balance of advantages against disadvantages.

One of the latter would be the propaganda weapon that would be handed to the Conservatives (another poor brand name for a party that currently promises things are about to change for the better). On the other hand, a majority even among the so-called modernisers believe that the problem is not Labour's packaging, but what is in the box. "Turning the brand round, not changing the name is what we should be about," one senior opposition politician observed yesterday.

The most compelling reason for not changing Labour's name, the tattered red flag of its glorious past, is that without a constant reminder of where the party has marched from, its search for somewhere to go in the future would prove even more difficult.

Labour may not know what it stands for now, but at least it knows what it was.

Post Office chief seeks 'freedom' of privatisation

By Roland Rudd

MR BILL COCKBURN, chief executive of the Post Office, yesterday warned of greater costs and higher letter prices unless it gains greater commercial freedom.

His warning came as he announced that the current price freeze on first and second class letters, at 24p and 18p respectively, would be extended to the end of August – two years after the last increase.

For the first time since becoming chief executive in October, Mr Cockburn indicated that only privatisation would give the Post Office the freedom it needs to guarantee low costs and low prices.

Privatisation was put back on the political agenda last year when the Department of Trade and Industry announced a review of the Post Office's future. It is expected to announce its conclusions in the summer.

Although Mr Cockburn said the future ownership was a matter for the government, he said that attempts to give the Post Office more commercial freedom within the public sector were bound to fail. He said he feared such a move might turn out to be a "fudge" or an "optical illusion" which would not work.

Speaking at a conference on privatisation he said: "If the Post Office is to maintain its winning edge as the leading postal operator in the world, it needs to cut loose from the stifling cash-book culture of the public sector. Privatisation would give us the freedom we need."

If the government did decide to privatise the Post Office, Mr Cockburn said it should keep it as a single entity. "Chopping up the Post Office into different bits would make no sense at all".

Mr Cockburn also criticised the existing financial targets imposed on the Post Office. His attack was echoed by Mr Tom Corrigan, chairman of the Post Office Users' National Council, the national UK industry watchdog.

Poor skills identified by report

By Lisa Wood

BRITISH employers are competing for recruits from a much smaller pool of well-educated 16-year-olds than companies in most main competitor countries, the National Institute of Economic Research said yesterday.

In a report, the institute says low attainment in the UK produces low employer expectations of skill standards.

It quotes a recruitment officer who, asked what qualifications he wanted machine operators to have, said: "We like them to be able to read and write."

The report's conclusions include:

- The proportion of British 16-year olds attaining a standard equivalent to that in other industrialised countries in science, the native language and mathematics, was only half that of France, Germany and Japan.
- The proportion of British 16-19 year olds in full-time education and training was lower than in competitor countries.
- Fewer British young people aged 18 plus gained school or vocational qualifications than in France or Germany.
- Any substantial increase in the quality and quantity of youth training in the UK would impose considerable additional costs on employers.

The report attributes differences between countries to a range of factors, some related to internal features of the system such as curriculum design, and others related to the social context, including parental expectations.

Regulator costs match US, France

By Richard Waters

THE direct costs of financial regulation in the UK are broadly in line with costs in the US and France, according to a report from Professors Julian Franks and Stephen Schaefer of the London Business School. However, regulators in the UK have expanded into areas which should have nothing to do with regulation, the authors conclude.

The report is to be published on 2 April as part of the City Research Project, set up to examine the competitiveness of the UK as a base for financial services business.

Regulation should be focused on fraud, misappropriation and malpractice, they say, rather than protecting investors when an investment firm is wound up. A far-reaching review of investment regulation is currently being undertaken by Mr Andrew Large, chairman of the Securities and Investments Board.

On international comparisons the authors say there are roughly six regulators for every 1,000 people employed in the securities industry in the UK, compared with nearly 12 in the US. Regulatory costs total 0.53 per cent of the industry's total costs, excluding interest expenses, compared with 1.34 per cent in the US.

Investment management, though, is more expensive to regulate in the UK: costs amount to 0.43 of a basis point (hundredth of a percentage point) of funds under management, compared with 0.16 bp in the US and 0.11 bp in France. Also, there are 6.8 regulators for every 1000 employees, compared with 1.7 in the US and 1.3 in France.

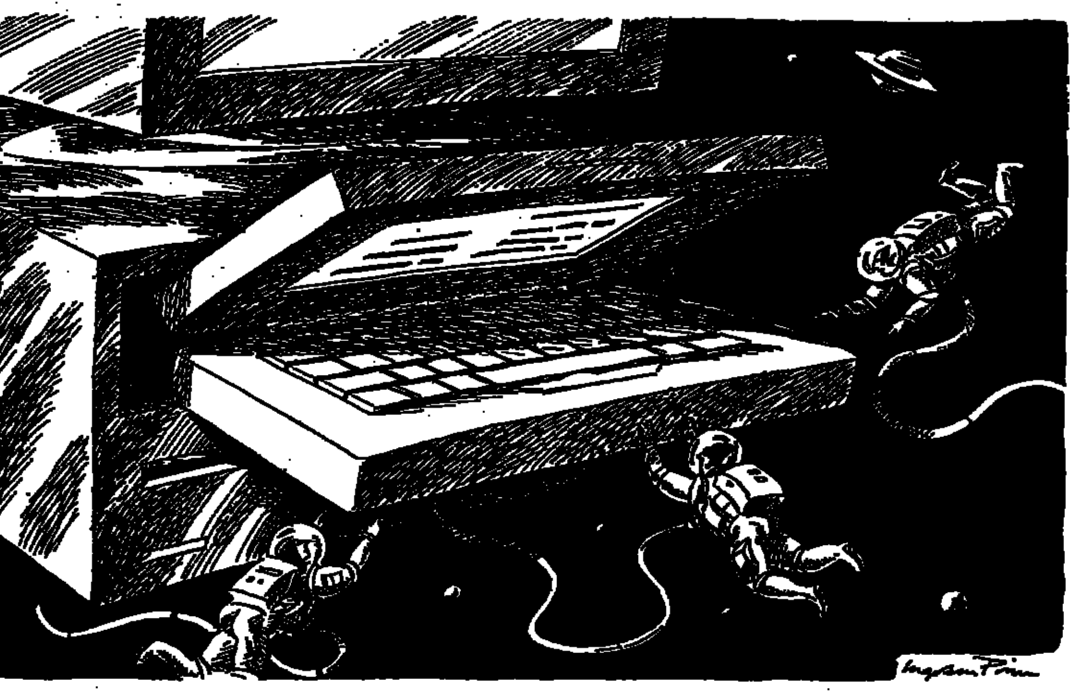
For life assurance business, the UK regulatory burden falls between the US and French levels, amounting to 4.32 basis points of premiums earned by the industry, compared with 12.44 bp in the US and 2.51 bp in France.

The authors warn that the EC is constructing a new layer of detailed regulation, and that practitioners should be given a greater say in regulatory developments in Brussels.

TECHNOLOGY

Docking stations for notebook computers allow far greater mobility, writes Della Bradshaw

Laptops pull into port



It is no longer just Luke Skywalker and his compatriots from films such as Star Wars and Alien that are making everyday use of docking stations. At P&O Properties, in London, managers have also recognised their benefits.

Their docking stations may not be in outer space, but they do give managers mobility. Notebook computers taken back into the office can be slotted into the docking stations – almost like slotting a video into a VCR. The docking stations are connected to the office power supply and computer network, so the notebook is effectively transformed into a desktop PC.

Because these notebooks double as desktop machines, Stanley Monger-Godfrey, information technology director at P&O Properties, believes the docking station approach will enable the company to equip far more of its staff with portable machines. "What this means to us is that we can offer the facility at a fraction of the price," he says.

Prices vary from manufacturer to manufacturer, as some models are designed to be used with the notebook's integral screen and keyboard while others are designed to have a full-sized keyboard, large colour screen and mouse attached.

Alan Rogers, product manager for portables at Olivetti in the UK, says purchasers can expect to pay a 10 per cent premium for "the docking concept" over a standard desktop PC. That puts the cost of a docking station and notebook at between £2,500 and £4,000. Rogers believes the premium is a fair price to pay for portability. Interest in docking stations has been fuelled, he says, by changes in office organisation. "I believe there is a requirement in offices today for a more mobile user. I'm in the office three to four days a week. I may not want to use my PC when I'm out, but I may want to use it at home. I believe there are more people like me today."

Rogers argues the traditional laptop machine does not answer all these needs. "I believe people want the machine and the information they work with during the day. They don't just want computing capacity."

This idea has contributed, say manufacturers, to an enormous take-off in sales of notebooks and docking stations. Mike Lunch, director of Toshiba's UK PC division, believes two further factors have contributed: developments in technology and price.

Prices dropped because the screen technology became more reliable, and therefore less expensive, and because market pressures in the recession forced manufacturers to squeeze profit margins.

By last summer, notebook machines were available with the latest 486 central processors, full-colour monitors and massive storage. Toshiba machines, for example, have an internal hard disc which is 2.5 inches wide but can store 205 megabytes of data – enough to store 40m words or their equivalent.

This, says Lunch, means users can get exactly the same facilities on the notebook that they can on a desktop machine – such as full-colour graphics and Windows software.

When the independent notebook is opened on a train, building site or at home, the screen the user sees is identical to the one on the PC in the office. Network communications apart, the PC can do everything the larger machines can do.

Deborah Gallo, product marketing manager for Compaq, says these breakthroughs in screen and processor technology promoted the credibility of notebooks as primary machines.

The result, says Lunch, is that between 30 and 40 per cent of the more sophisticated notebooks sold by Toshiba today are sold with a "desk station" – Toshiba's name for the docking station.

IBM reports similar buoyant sales. The company is now selling docking stations with 50 per cent of its ThinkPad notebooks. With the most powerful model, which incorporates a colour screen, the percentage is even higher.

Users can get exactly the same facilities on the notebook that they can on a desktop machine

Although Monger-Godfrey acknowledges that "price is paramount", he believes there are other benefits from using a notebook machine with a docking station. If a manager's notebook is connected to the company network until the moment he or she takes it home, the machine will inevitably hold the latest information from the corporate database – not data that was downloaded on to a disc that morning, yesterday or even a week ago. "If you're working on out-of-date material it can be quite serious," points out Monger-Godfrey.

Then there are the niggly details of transferring data from a standard desktop to a notebook. Notebooks often take different size discs from the office machine, or one uses double density discs, the other single density – the sort of problem designed to irritate profoundly non-technical staff. Losing discs between home and the office can be commonplace in many organisations.

One reason why Monger-Godfrey has been so willing to purchase docking stations is that they have fitted in easily with the company's IT strategy. "They have allowed us to move into the portable arena without compromising our three-tier strategy for IT or compromising our security."

This three-tier strategy involves a PC on every desktop – some 500 in all – linked to a departmental machine running under the Unix operating system. This, in turn, is networked to a corporate ICL 3900 mainframe computer.

To dispel worries about data security, inevitable with such a high number of PCs, Monger-Godfrey has built in a series of access control mechanisms at each level of computing. The same security extends to the notebooks. If one is stolen the culprit would have to crack the password before getting access to the information.

Both Rogers and Monger-Godfrey acknowledge there will always be certain members of staff who will never need to use a notebook – data entry staff, accounts clerks and so on. Of the 500 staff at P&O Properties, Monger-Godfrey believes 100 are out on the road much of the time – surveyors, for example – and so are obvious users of notebook machines. A further 100 managers, who spend some time out of the office, could also take advantage of the combined units.

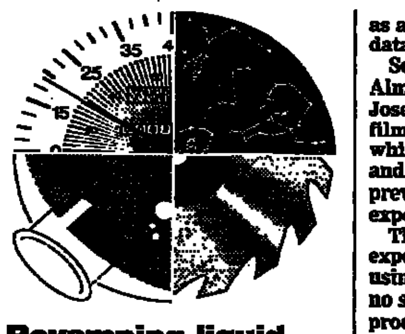
Elsewhere, Rogers believes a growing number of large corporations are beginning to show an interest in docking stations simply for the flexibility they deliver. He cites the example of one company in a high-rise building where the management is keen for the number of internal meetings to grow. The only current answer is for staff to print out the information on yards of paper before trudging up and down stairs to attend the meetings.

Some of the more traditional notebook users are also hooking up to docking stations. Paul Jordan, surveying director with the Willmott Dixon social housing refurbishment division, has had a laptop computer for several years. Two years ago he and five colleagues had a single docking station installed in the office so that they could exploit a standard colour screen and high-quality printer to make reports writing easier. All that had to be done was to configure the notebook and portable to work together.

This gave the machine what Jane Burley, product marketing manager at Apple in the UK, refers to as a "dual personality". "As a notebook, it knows, say, that it only has a small screen. But once it is in the docking station it automatically locks on to servers, for example – something it knows not to do as a notebook."

Monger-Godfrey is now such a convert that he says he would no longer consider buying portable machines unless they had docking stations. "If this had been around two years ago we'd have bought a lot more. Most of our people would have had them," he concludes.

Worth Watching · Della Bradshaw



Revamping liquid crystal displays

Liquid crystal displays, seen today in notebook computers, are tipped as the successor to the cathode ray tube in television sets. But to achieve acceptance researchers have still to make LCDs less expensive, more compact and more reliable.

GEC's Hirst Research Centre, in London, has demonstrated a technique for etching the drive circuitry on the same piece of glass as the screen, which could contribute to this. As well as reducing the size, the technique does away with the need for an expensive quartz substrate and other components. The method also increases reliability because it reduces the number of connections needed to join each pixel, or picture element, to a transistor. Hirst Research Centre: UK, 081 908 9000.

Better colours in the office

Printers which produce colour images with the quality of photographs have largely been the domain of publishing departments or specialist companies. Now Kodak has launched such a printer aimed at general office use which can be attached to a computer network.

The ColorEase PS uses thermal dye sublimation, in which transparent dyes are layered on top of each other to give the high-quality image. The cost of printing a single sheet costs £1.68, while the printer costs £6,795. Kodak: UK, 0442 61122.

A new image for data storage

Holograms stored on photorefractive films of polymer could replace hard disc drives as a means of storing computer data within the next decade.

So believe researchers at IBM's Almaden Research Centre in San Jose, California, where a polymer film has been developed on to which holograms can be recorded and then erased – a feat previously only possible using expensive crystalline material.

The holograms are made by exposing an image on to the film using intersecting laser beams: no subsequent development process is needed. Because the recording material is thicker than the light wavelength, several holograms can be stored in the same spot, so that several billion bits of information could be stored in the area of a 10 pence coin. IBM: US, 408 927 1283.

Smart ways with tissues

An entire generation of "smart" tissues and cloths are now on the way which could help with polishing the furniture, inhaling medicines or applying cosmetics. They incorporate micro-sponges, minuscule blobs of polymer, structured like a sponge and can hold lotion or oils.

The first smart wipe – a baby wipe – took Scott, makers of Andrex toilet tissue, eight years to develop. Each wipe contains 35m micro-sponges, inside which is a lotion containing dimethicone, a barrier to moisture which should help prevent nappy rash. The lotion is released when gentle pressure is applied to the wipe during use. Scott: UK, 0342 327191.

Some like it very very hot

Scientific experiments do not always produce the expected results. When plant geneticists at Clemson University in South Carolina decided to develop a pepper plant that was resistant to root knot, they also produced pepper that is at least twice as strong as tabasco.

But the Charleston Hot, seeds of which will go on sale in the US from Foundation Seeds Incorporated from the autumn, is not the hottest pepper developed, says Philip Dukes, one of the developers of the plant. That dubious claim to fame is held by a Japanese pepper. Foundation Seeds: US, 803 656 2520.

THE PROPERTY MARKET

Potential corridor of power

Vanessa Houlder on plans to redevelop land east of London

"The East Thames Corridor holds the prospect of a superb bridgehead into European markets. This ... will revitalise large areas of east London and create major new development opportunities throughout the corridor.

This was the optimistic forecast made by Mr Michael Howard, UK environment secretary, when launching a task force on Wednesday to draw up a planning framework for the East Thames Corridor, a 30-mile corridor stretching both sides of the Thames from Docklands to Tilbury and Sheerness.

But behind the rhetoric, the government's proposals smacked of pragmatism, not vision. Far from imposing a new linear city or any other design blueprint on the corridor, the government did not put forward any concrete proposals. The talk was all of frameworks, strategy, flexibility, resolving conflicting aspirations, co-ordinated approaches and consultation.

The modest expectations the government raised this week were in sharp contrast with those of 16 months ago when it commissioned a report into the corridor. At the time, Professor Peter Hall, the government's adviser, described the corridor's commercial potential as "mindboggling".

Prof Hall described the scheme as potentially the biggest urban development scheme in British history. "The impact could be truly historic: London's westward drift, which began four centuries ago, could be reversed," he said.

The reason for the dilution of these extravagant expectations were laid bare by a report by planning consultants Llewelyn Davies, which the government published on Wednesday.

The report acknowledged the opportunity presented by the area. "Today a large supply of development land and a newly-found locational advantage as the UK's gateway to Europe presents an opportunity for the East Thames Corridor to develop a new and very different role."

If the area were to enjoy high growth, there would be potential for 182,000 jobs and 128,000 houses by 2015, said the consultants' report. Under this projection there would be spectacular growth at Dartford based around a new international station, with high value, high density development also at the other main corridor sites.

But the report summed up the obstacles thus: "The East Thames Corridor is the place where London generates it power and dumps its rubbish. It has an environment to match."

It spelled out the psychological and environmental barriers to high-grade redevelopment of the area. Despite many places of natural beauty and historic interest, the area is scarred by smoke-stacks, pylons, power stations, industrial structures, stacks of containers, scrap-yards, hauliers' yards and lorry parks. Nearly a fifth of the land is contaminated.

"The enduring image is of an area whose environment has been ravaged by years of industrial use," said the consultants.

Without extra funds, good intentions are unlikely to be enough

If the full potential of the East Thames Corridor were to be realised, it would have to break out of this self-perpetuating cycle of environmental decline. The corridor would have to adopt the same standards as the rest of London in burying power lines, landscaping roads and generally tidying up industrial sites.

"It is expensive but it is considered an appropriate price to pay for an acceptable quality of environment," said the consultants.

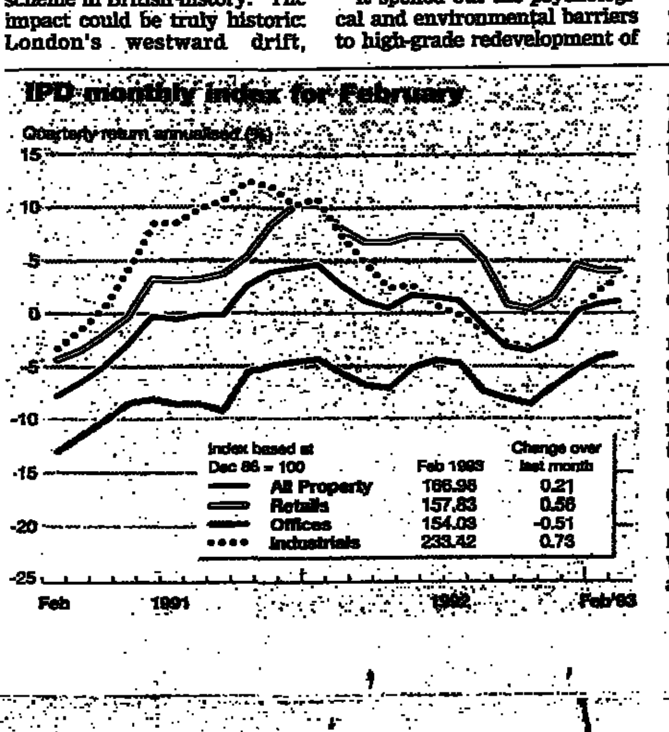
But the costs of upgrading the corridor's environment sufficiently to attract high levels of investment and growth are large. As well as decontamination work costing £200m-£385m, about £120m-£150m would need to be spent on environmental works and £40m-120m for rerouting power lines over 25 years. Another £970m for roads and £300m on rail would be called for, in addition to more than £4bn of road and rail improvements that are already earmarked for the region.

But large amounts of new investment are not on the cards, according to the consultants. "At this stage ... it would be unrealistic to adopt a development strategy which is dependent on high volumes of additional private and public investment," it said, citing the existing glut of office and business space.

"The government's preferred approach ... is to cater for a moderate level of growth in the corridor. The market is likely to focus on the area's strengths, in particular its potential for waterside property and housing and the provision of large business sites close to London," said the report.

Those cherishing the grand vision of a linear city along the Thames would be disappointed by the tentative nature of the proposals unveiled this week. However, planners and local authorities were welcoming. In particular, they applauded the consultation, co-ordination, the planning framework and the integration of transport with land use, which were so badly lacking in the redevelopment of the Docklands.

Yet without extra funds, good intentions are unlikely to be enough. The attention that has recently been focused on the East Thames Corridor illustrates the potential – and the enormity – of the task in realising it.



NO CLEAR trend emerged from the February results of the Investment Property Databank (IPD) Monthly Index.

Total returns fell slightly from January to 0.1 per cent. Both capital and rental values continued to decline, falling by 0.6 per cent and 1.0 per cent respectively.

The year-on-year measurements showed negligible change in all three sectors. The 12-month total return figure for All Properties remained negative for the year to February.

Industrial property succumbed to declining rental values and fell into second place behind the retail sector, with returns of 0.3 per cent and 0.4 per cent respectively.

Office yields shifted outwards in February to 10.5 per cent; the total monthly return for the sector fell back to -0.3 per cent.

Despite a slight improvement in the rate of rental value growth for February, an outward shift in the equivalent yield had an adverse impact on capital growth, leading to a fall in the total return index of half a point.

However, in the longer term all three measures point to a modest improvement in the office sector, with total return reaching its highest year-on-year level since August last year at -5.8 per cent. Returns for the industrial sector remained positive, improving by 0.3 per cent for the month.

MANAGEMENT

Absent without leave

Nigel Nicholson examines ways of encouraging employee attendance in the workplace

When it comes to absenteeism, is Britain in a poor state of health?

A report published this month by the Industrial Society suggests that it is, describing how Japanese-owned businesses in the UK outperform British companies in attendance rates. The report attributes this to better monitoring and internal communications and to Japanese companies' emphasis on teamwork.

Absence rates in Britain have been falling over recent decades, partly reflecting better management and healthier workforces. But the cost in terms of lost production is still large. Could this be reduced further?

People cannot be expected to fall sick only at weekends or during holidays. Moreover, one worker's time off for flu is another's escape from infection. It could be argued that tolerance of reasonable absenteeism – even allowing workers occasional mental health days – is a goodwill investment and an insurance against abuse.

This depends upon a high degree of trust and shared awareness between employers and staff. On this count, British companies do not score highly. Absence is, for many, a forgotten problem. Records are rudimentary, communication of attendance data is negligible and control measures are crude and ill-focused.

For these reasons, getting a grip on absenteeism can yield substantial savings.

The first step is to ensure that records are accurate and informative, counting not just crude percentage time lost but also the number of separate absence spells.

There is a world of difference when it comes to corporate efficiency between one worker being absent for five working days and five workers each taking one day off: most firms' records are incapable of making the distinction. Simple computerised recording systems are widely available which can provide this and other breakdowns.

The second step is to raise awareness of absence levels across the firm. Absence has too often been seen as a personnel rather than an operations issue and line management should have responsibility for monitoring individual behaviour and achieving improvements. There is a need for attendance to be seen by everyone as a dimension of performance.

The third step is to provide attendance incentives. Most corporate thinking about this is limited to a carrot and stick philosophy, often forgetting the carrot. The stick is discipline.

But this can backfire, as in the case of the company which cracked down on offenders but lacked the means of discriminating between the unfortunate and the culpable. Although it managed to cut off the peak of worst offenders, aggregate absence levels rose. The disciplinary policy netted several who felt unfairly penalised, and the result was that absence levels for many rose to just below the level at which sanctions kicked in.

Management had declared the rules of the game and the employees were playing it accordingly.

If the stick does not work, what about the carrot? Most companies immediately think this means material rewards. But this raises further problems. Management, quite understandably, is reluctant to give additional rewards for what staff are contractually obliged to do and experience shows the positive effects tend not to last.

The incentive is rarely great enough to be compelling; it looks like rewarding luck rather than motivation if people are disqualified for unavoidable illness, and bonuses have a way of becoming assimilated as just another element of the package.

Research shows the most effective and under-used incentive is almost costless. It is recognition. Good absence information systems raise awareness of attendance performance.

The most effective disincentive here is a shared awareness of attributable costs and this is where the Japanese teamwork culture generates control.

Attendance-motivated workers are found in companies where individuals are aware of how their absence affects group performance, with the implicit sanction of group disapproval for abuse. This is only likely to occur where groups are inter-dependent enough for individual behaviour to be visible.

But how does this relate to illness and stress – cited in the Industrial Society report as prime causes of absenteeism? The two are connected. Employees are more liable to become ill when bored, unhappy and demotivated.

Absence has two interacting causes: risk and susceptibility. For example, an unhealthy lifestyle is a risk factor, and low morale a susceptibility factor. The risk multiplied by susceptibility equation explains why young and low-status workers have the highest rates of absence. They are at risk through lifestyle and health factors, and are most susceptible through their lower attachment to work.

The Industrial Society confirms the equation. The lowest absence occurs where risks are minimised through careful hiring policy and preventive health programmes, and susceptibility is minimised through trust.

Absence is a lens through which poor management practice is magnified. The Japanese experience shows how the values of involvement and improvement challenge British management to new ways of managing employee performance.

The author is director for the Centre for Organisational Research, London Business School.

Down Under the weather

In the land of the long weekend, taking an unjustified "sickie" is an inalienable right, jealously guarded by workers who spend more time at the beach than at their desks. Is this an outdated image of Australia, rightly condemned by politicians and business leaders alike? Or is there a grain of truth in the caricature? The answer, it seems, is a bit of both.

Anecdotal evidence suggests that abuse of sick leave provisions – the infamous "sickie" – is widespread. In justification, most workers will point to the provisions of the national or state "award" covering their industry, in which terms and conditions are laid down by the quasi-judicial Industrial Relations Commission. Many workers regard the sick leave provisions as an extra holiday to be taken regardless of good health. This view is encouraged by managers who rarely require proof of illness.

There is little hard evidence that this free and easy attitude to sick leave has led to higher overall absenteeism than in other industrialised countries. Indeed, research* for the Australian government by Bill Merrilees and Dale Miller from Newcastle University suggests absenteeism is lower in many industries – banking, construction, distribution and services.

But evidence is emerging** that absenteeism is a significant problem in the public sector, which includes most of the power generation and telecommunications industries, as well as public administration, community services and about half of the transport and storage sector. According to research by Mark Wooden, associate professor at the National Institute of Labour Studies at Flinders University in Adelaide, only the dangerous mining industry suffers worse absenteeism than these industries, which account for 87 per cent of public sector workers.

Wooden says there is insufficient data to be certain about why the public sector should be more prone to the "sickie" epidemic. But he suggests the reasons probably include more generous sick pay provisions, low job satisfaction, greater job security and less demanding management. "I don't think Australians are lazier than anyone else, or any more inclined to take a day off," he says. "People are just responding to the incentives that are given to them, and in Australia the view is widely held that if the sick leave days are in the award, they are there to be taken."

Kevin Brown

**Report 7, Service Industry Research Programme, DITAC.*
***The Sickie: a Public Sector Phenomenon, and The Cost of Time Off Work in Australia; National Institute of Labour Studies.*

A tax brake on relocation

This 'minor' Budget change will hit companies hard, says Lucy Kellaway

"DRACONIAN", "unwarranted", "shock horror" were the words used by companies to describe the unexpected removal in last week's UK Budget of a 40-year-old package of tax breaks for moving employees from one part of the country to another.

What may have seemed to the casual observer a minor technical change is likely to have a profound effect on relocation. It will make companies more reluctant to move people and could put some of the hundreds of specialist relocation firms out of business.

At present most of the 175,000 employees moved by their companies each year have all their expenses paid for them – from house hunting, insuring empty houses, estate agency fees to compensation for any disturbance. They may receive further compansation if they are going to a higher cost area.

In the future, most of these payments will become a taxable benefit. Under the new rules only £8,000 of moving expenses will be free of tax, and the existing £13,440 tax allowance for moving from a cheaper to a dearer area is to be removed altogether.

"The £8,000 ceiling bears no relation to the real costs of moving," says John Carolan of Black Horse Relocation Services. He estimates that the typical cost of moving somebody who lives in an £80,000 house might be around £32,000, including the housing allowance and a loss on resale of the old home. For employees in larger homes the cost can be greater still: with £8,000 barely covering the estate agents fees.

The growing band of specialist firms offering relocation consultancy, home search, moving and conselling services are beginning to get edgy. "Employers are going to think a lot harder before moving people," says Chareline Gibbs of New Eras, relocation consultants. "They will have less money to play with, and won't use outside services for anything they can do in-house."

Jean Littlejohn, head of relocation at the Automobile Association, says the company is going to have to rethink its relocation plans. "We had set up an effective and efficient package for moving people. Now a lot of our employees will think twice before moving."

The main problem, she argues, will come from the sale of existing properties. At present the AA offers its employees a guaranteed minimum price for their houses and if it sells the house for more the employee gets the extra. Under the new rules, if the house is sold for less – a not uncommon occurance in a falling market – the employee will have to pay tax on the difference.

Companies face a serious problem: if they leave their employees to pay the tax on their moving expenses, it may be difficult to persuade them to move at all. But if they compansate them for the higher tax by paying them more, then the total costs of the move can become prohibitively high.

"Instead of relocating 30 to 40 people *en masse*, companies may just move the key people. A more tax-efficient way of doing it would be to train new recruits in the area," says Gibbs.

Sue Shortland, a relocation expert at the Confederation of British Industry, agrees: "It all depends on the added value that a person can bring to the job," she says.

Over the past few years companies have already cut down on relocation: tax benefit or not, it is expensive to move people. Says Shortland: "The majority of companies only relocate the employees they have to have. Yet you can always look that little bit harder to cut costs."

The Inland Revenue argues that the Budget changes have got rid of an unfair anomoly. Under the old system, employees being moved by their company not only had their expenses paid, but the benefit was tax free, those who moved themselves in search of a better job have to pay all the costs and do not get any tax breaks either.

Moreover, the Revenue reasons there is no point in giving a tax allowance to people moving to a more expensive area, when what the government is trying to do is increase the traffic in the opposite direction.

PEOPLE

Coolbrith crosses Atlantic to Aetna Re UK

Alison Coolbrith, a 25-year veteran of Aetna Life & Casualty, one of the largest American composite insurers, has taken over as chief executive of Aetna Re-Insurance in the UK. She is believed to be the first woman to head a reinsurance operation in the London market.

Coolbrith, 47, had previously run the property/casualty operations in northern California, a larger business than the London venture of which she now takes charge. But she says she was attracted both by an international job, as well as by the chance to run a complete company, and one on the reinsurance, not primary side. She comes in over the old board of directors, with Terry Masters, general manager, reporting to her.

Aetna Re UK was previously a branch office of American Re USA. Aetna disposed of the latter last September to Kohlberg Kravis Roberts but hung on to the UK portion of the business. Coolbrith explains that Aetna wanted to keep a reinsurance operation in the UK to act as a kind of advance warning system "because so much happens in the London market that tells us in the US what we can expect two or three years down the line".

Since September Aetna has injected £25m fresh capital into the UK reinsurer.

Given the "turmoil" of underwriting years 1989-1991, she says her priority is to rethink the organisation, a process she aims to complete in the next five or six weeks. She arrives at a time when the market is contracting rapidly; just this week Dutch NRG said it intended to withdraw from general reinsurance.

"We want to be survivors," she says of her new charge, which concentrates mostly on the UK and continental Europe, with some Japanese and Australian business. "But, while I hate to hear myself say so, I think there is a 50 per cent chance that the 1992 underwriting year will be as unattractive as the previous three."

■ **Mike Bett**, 58, deputy chairman of BT, is to fulfil that role in a non-executive capacity from April 1. He will remain chairman of Cellnet and chair a number of board committees. He will devote two to three days a week to BT activities but wishes to spend more of his time on his community and social interests.

■ **Alan Watkins**, chief executive of LONDON TRANSPORT, is appointed deputy chairman on the retirement of Sir Neil Shields.

■ **Jeremy Boyes** has been appointed a director of Lynton, part of BAA.

■ **Alan Clark** has been appointed md of Pocket Spring Bed Company, **Andrew Kramer** md of Houben Beds, and **Leslie Mitchell** md of Westminster Pine, all SILENTNIGHT companies.

Insurance moves

■ **David Meldrum** (above left), general manager financial services of GUARDIAN ROYAL EXCHANGE, has been appointed a director of Guardian Assurance. **Maurice McCullough**, formerly group chief accountant at corporate head office, has been appointed a director of Guardian Assurance, part of GRE.

■ **John McLennan** (above right) has been appointed personal lines claims director of LONDON & EDINBURGH INSURANCE GROUP; he moves from Independent Insurance Company. **Rod Gibson** has been appointed director of personal lines insurance services; he moves from Royal Insurance.

■ **Kenneth Davis** has been appointed chief executive of ALEXANDER & ALEXANDER's European and Middle East retail insurance and risk management operations.

■ **Kenneth Alsford** has become chairman and md of ALSFORD PAGE & GEMS following the retirement of Kenneth Page.

■ **Wallace Wormley**, former deputy president and chief investment officer of the Prudential Investment Advisory Company in Tokyo, has been appointed executive director of PRICOA-IM, the London end of the PRUDENTIAL INSURANCE COMPANY OF AMERICA.

■ **Peter Hornsby**, formerly director, financial services division of Alexander Howden, has been appointed md of NELSON HURST Political and Credit Risks.

■ **James Dowd**, formerly chairman and ceo of Skandia America Group, has been appointed chairman and chief executive of GL Hodson & Son Inc, part of WILLIS CORROON GROUP.

■ **David Coverdale**, formerly director of systems and sales with Granada Information Services, has been appointed director of information technology at UNUM.

■ **Ronald Iles**, chairman of Alexander Howden Reinsurance Brokers, has also been appointed chairman of ALEXANDER & ALEXANDER SERVICES UK.

■ **Malcolm Wood** has been appointed md of CLIVE AGENCY BOND BROKING

Whalen's second stint at SMMT

With production of a long awaited second car – the Peugeot 306 – now up and running alongside the 405 range at Peugeot Talbot's Ryton plant near Coventry, chief executive Geoffrey Whalen is making time for another hack at a broader coalface.

In June the bespectacled, donnish Whalen (right), 57, is to take over from T&N chairman Colin Hope the honorary role of president of the Society of Motor Manufacturers and Traders.

It will be the second stint in the presidency for Whalen who, in 1990/91, had to combine his SMMT role with steering Peugeot Talbot as gently as possible into what has turned out to be the UK car market's worst recession since the Second World War.

This time he is returning to the president's office in Forbes House, the SMMT's elegant HQ in Belgravia, with the market at last showing signs of upturn.

For all the returning optimism, many reckon that the SMMT president's role remains mostly an unenviable one.

The SMMT speaks on behalf of importers as well as manufacturers, so the potential for internecine strife is considerable. A current slanging match between market leader Ford and Nissan over "Britishness" is just one example.

But Whalen has a career background which makes him a particularly adept pourer of oil on turbulent waters, as well as a deft diplomatist on behalf of his industry. He has spent much of his working life in personnel and industrial relations, starting with the National Coal Board, before progressing, via General Motors' AC Delco components subsidiary, to British Leyland.

His succession of posts at British Leyland culminated in personnel director of Leyland Cars, as 1970s shopfloor anarchy was reaching its height. In comparison with that, any SMMT squabble would be small beer.

هكذا من الأصل

Theatre

Fires in the Mirror

In August 1991 there were riots in Crown Heights, Brooklyn. They were not the conventional race riots between black and white, or a black rebellion against the police and white authority, but between local blacks and the Hasidim, a group of Jewish mystics which originated in Poland in the 18th century.

Not much was heard of the affair outside New York, and certainly not outside America, because the peak of the riots coincided with the coup in Moscow against Mikhail Gorbachev. But in Brooklyn the incident lingers on.

Anna Deavere Smith has written a play about it. Or rather, and this is the problem, it is not a play at all. *Fires in the Mirror* is a documentary on stage. Others will reach their own conclusion. I enjoyed it because the material is riveting, but I wonder if the stage is the right place for it.

Fires is part of a series called *On the Road: A Search for American Character*. It is a one woman show. Ms Deavere Smith, an actress and writer, did all the research herself. She interviewed those involved in the riots, whether participants, observers or guardians of the peace. And she plays all the parts, black, Jewish, male, female and anyone who fits in, with the occasional use of film in the background.

The story that emerges is complex. The riots began with an accident. A seven-year-old black boy was killed by a Hasidic man whose car jumped the kerb. Nearby blacks retaliated and attacked a Hasidic scholar, stabbing him to death. The rioting followed.

The accidental nature of the affair is never far from Mrs Deavere Smith's account. On the other hand, the tinder was plainly there in advance. The Hasidim, we learn, make up only about 10 per cent of the neighbourhood, but seem to have an advantaged position compared to the blacks.

On the Sabbath and other holy days, the New York City authorities close a number of streets to traffic, much to the inconvenience of the blacks. Other resentments are not far from the surface.

Ms Deavere Smith's purpose is not to blame, but to explore. Robert Sherman, of the New York City Commission on Human Rights, is quoted as saying that Eskimos have 70 different words for snow, then adds: "We probably have 70 different kinds of bias, prejudice, racism and discrimination."

The message of *Fires* seems optimistic: try and understand. Ms Deavere Smith performs more than 20 roles with great restraint. Some might say that she underacts, but I think that is part of her purpose: not to be overdramatic. I should like to see the show on television. The author is now working on what happened in the Los Angeles riots last year.

Malcolm Rutherford

Royal Court Theatre (071) 730 1745

Art of the Establishment: 'Beatrix Knighting Esmond', an 1857 oil on canvas by Augustus Leopold Egg

The 19th-century folly of Robert Vernon is timeless, warns **Susan Moore**

A collector stuck in his age

Don't make the mistake of presuming that an exhibition of a collection of British art presented to the nation a century and a half ago has no relevance to the making and collecting of the art of today.

Robert Vernon's gift of some 157 paintings and eight sculptures to the fledgling National Gallery in 1847 was intended to prompt the foundation of a Gallery of British Art (the national British collection opened at the Tate 50 years later). To that patriotic end, Vernon purposely sought works by the founding fathers of the British School and by his most acclaimed contemporaries. His collection, a selection of which is currently on show at the Tate Gallery, offers a number of salutary lessons. It begs the question of how best to define and represent British art as the debate continues on the future of the Tate's modern and British holdings.

In his acquisition of works of art, Robert Vernon exhibited all the flair of a modern museum committee set on pleasing everyone. The collection of this "Maecenas of Modern Art", as Vernon was dubbed at the time, shows no evidence of personal passion or real discernment (certainly Pickersgill's portrait presents him as a dour and bloodless man, and the most unlikely looking horse dealer). Instead it smacks of the shopping list. Here are the worthies from the accepted pantheon of British art – Gainsborough, Reynolds, Benjamin West and Richard Wilson – plus the most fashionable painters of the day.

The inventory reads as a grim warning of the extent to which each age inevitably fails to be its own best judge. There are four glorious works by J. M. W. Turner, an artist who was never knighted, alongside nine landscapes by Sir Augustus Wall Callcott. There are 12 paintings by the eminent figure painter and colourist William Etty, eight by Sir Edwin Landseer, five by Sir David Wilkie. Messrs Constable and Bonington are each represented by one picture while Samuel Palmer fails to find a place.

Even a collection catholic enough to embrace Sir Charles Lock Eastlake's leaden "Christ Lamenting over Jerusalem", Henry Perronet Briggs' "The First Interview between the Spaniards and the Peruvians", Maclise's "The Play Scene in 'Hamlet' ", one Theodore Lane's "The Gouty Angler" and Turner's ethereal "The Dogano", cannot claim to be encyclopaedic. There may be historical and allegorical pictures, genre scenes, landscapes and topographies, even lowly still-lifes, but Vernon displays the prejudice of his age in not deeming portraiture as the stuff of Fine Art. Such prejudice pales beside the intellectual bigotry of our own art establishment for whom Minimalism seems to reign supreme and no other means of expression is regarded seriously.

A study of the condition of Vernon's collection should be as sobering for contemporary artists as for curators of 20th-century collections. There is a world of difference between, say, the near-enamel finish and pristine hues of William Mulready, a consummate technician, and the blackened surfaces of the five history paintings by William Hilton the Younger that are far too scarred and ravaged to exhibit. Some 30 years after the execution of the latter's "Edith and the Monks Searching for the Body of Harold", once regarded as one of the gems of the Vernon collection, the artist Richard Redgrave and his brother described it as a "seamed wreck of his genius". The staff at the National Gallery were obliged to turn the picture from time to time so "that the eyes and limbs may float back again from whence they had slipped".

The 18th and 19th century was a great age of technical experimentation and of secret systems and recipes allegedly passed down from the great Venetian colourists. Those, like Hilton, seduced by the prospect of succulent, mellow colour and perfectly translucent glazes ignored the warnings of the chemists and continued to use volatile and destructive materials such as bitumen and megilp. Museums are already spending vast sums conserving ill-made art less than a decade or two old. What kind of shelf-life can we expect from today's favoured media of mud and blood?

It is pure arrogance to refuse to learn from history and presume that the judgments of the 20th century will remain immutable. The reputations of the likes of Hilton and Eastlake were no more overinflated than those of today's chic avant-garde. The latter have jumped on the Establishment bandwagon with as much calculation as any 19th-century French academic painter.

We may shudder at the sentiment of Landseer's "The Cavalier's Pets", and smirk at Etty's preposterous and titillating allegory of life, "Youth on the Prow, and Pleasure at the Helm", but these follies are likely to be as nothing to the mass of the work that is now entering the Tate's modern collection in large quantity.

The Vernon Gift, sponsored by Sun Life Assurance, continues at the Tate Gallery, London, until October 31.

Dance/**Clement Crisp**

Yolande Snaith

The annual Spring Loaded festival at The Place, in London, is a chance for the devotee to sample the sometimes weird – and sometimes wonderful – offering of new dance. It is a bran-tub, a car-boot sale, offering a little talent, many aspirations, and even more pretensions.

Yolande Snaith is one of the better-known participants, her work concerned with the semantics of a dance "language". During the past decade she has earned a serious reputation, and her latest piece, *Diction*, given its first performance on Wednesday night, is an often ingenious and physically bold study. Its first half hour won all my attention and interest; a law of diminishing returns (relating to a diminishing physical interest) obtained during the remaining 30 minutes.

Miss Snaith proposes dance as a riddle, a game whose laws are arbitrary, ruled by mad time-keepers. The proceedings echo something of Alice's chess-board experiences. The dance area is chequered, the white squares piled with torn-up paper. Six "pieces" (three men, three women) are directed by the two umpires, who are also drawn into the play. Routines, frantic contests, extended repetitions of movement phrases, ensue. Wooden poles, blindfolds, red cloths, all feature in illogically logical procedures. Physical meanings – and relationships – are meaningless.

It is clever and, as I have suggested, fascinating for half its length. My dissatisfaction is concerned with Miss Snaith's reliance upon the new European dance style (as explored by such creators as Wim van der Keybus and Anna Teresa de Keersmaker) of falls, leaps that degenerate into slides across the floor, and bone-jolting crashes to the ground. The "games" in the text – passing poles from one to the other; elaborate sign sequences that are strictly controlled in rhythm; elements of contact improvisation – are hypnotically intriguing, as routines achieve a ritualistic force. It may be that Miss Snaith has restricted her movement choices in order to stress the absurdist relevance of her piece as slowly-shifting minimalism. She is, I think, too able to rely upon such constraints.

The piece is a teaser. But it fascinates the eye, and it is admirably done by Miss Snaith, Lauren Potter, Jordi Cortes Molina and their five colleagues. Design is by Robert Innes-Hopkins; music by David Coulter; and there is excellent lighting by Mark Parry.

'Diction' was in part made possible by a Barclays' New Stages Award

Opera/**Max Loppert**

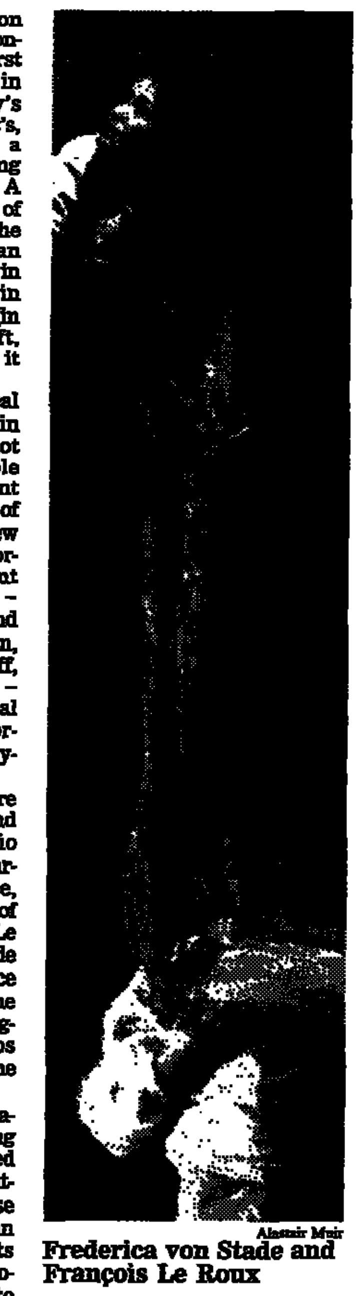
Pelléas et Mélisande

Pierre Boulez, reflecting on *Pelléas et Mélisande* before conducting the opera for the first time (at Covent Garden in 1969), compared Debussy's nature, as composer, to a cat's, and discerned in the opera a "swift and deadly sheathing and unsheathing of claws". A picture-book new production of the opera has arrived at the same theatre from Milan (where it was first shown in 1986) via a 1988 stopover in Vienna; a sense of claws (in Boulezian terms) in swift, deadly action is exactly what it seems to lack.

No blood is drawn, no real threat of menace or pain offered; the spectator is not carried upon an ineluctable welling of dramatic movement toward tragedy. By its lack of fibre, and *challenge*, the new production is immediately cordoned off from those recent *Pelléas* feats of re-discovery – in Britain alone, by Elder and Pountney at the Coliseum, Boulez and Stein in Cardiff, and Peter Brook in Glasgow – which now form an essential part of serious opera performance and experience everywhere.

High-quality ingredients are on offer here. The Milan and Vienna conductor, Claudio Abbado, returns to Covent Garden after a 10-year absence, along with three members of his original cast – François Le Roux and Frederica von Stade in the title roles, Patrizia Pace as Yniold. Antoine Vitez, the producer, died in 1990; his staging, in its Yannis Kokkos designs, has been placed in the care of Lorenzo Mariani.

In spite of first-night vagaries – chinks of light peeping through castle walls, rumpled back-cloths, come-and-go lighting, plentiful set-change noise – the show looks good, in an airy pre-Raphaelite way. Its Burne-Jones shapes and proportions have been devised to reflect important thematic concerns in the opera. Above all, the extinction of light in the lives of its youthful title-characters: light plays behind a semi-diaphonous black swing-curtain during the interludes, and its diminution by various forms of filtering is an integral part of the unfolding of every scene.



Alastair Muir

Frederica von Stade and François Le Roux

It is a setting pregnant with dramatic possibilities for the conductor to realise. Abbado concentrates on making the score sound limpid and lustrous, the scoring substantial and picturesque: buoyant rhythms pick up swirling sea-breezes, delicately fashioned phrasing catches fountain ripples, the scent of evening air. He is a conductor of extraordinary skill and sophistication, who achieves his fairy-tale account of *Pelléas* in a way that leaves no musical element undisciplined or out of focus. What he avoids is any acknowledgement of the hard muscle and bare bone of the music, its nervous system, its dramatic articulation by means of infinitely subtle combinations of timbre.

Mr Le Roux and Miss von Stade have become rather mature occupants of the innocent-white costumes they are asked to wear. Both are artists of wonderful sensitivity, alert to the finest gradations of tonal and verbal nuance; neither, on this occasion, produced the wholly absorbed, completely transported account of their roles of which one knows them capable. (Miss von Stade, it should be said, was not wholly recovered from the illness that affected her participation in the final dress rehearsal; it would have been fairer both to her and to the audience to make this information public before curtain rise.)

This lack of sharp-profiled characterisation, reflected alike in the conducting and the title parts, is continued in Victor Braun's Golaud, intelligently conceived and executed but projected with insufficient vocal thrust. Robert Lloyd, celebrating two decades of leading roles at Covent Garden, returns as Arkel. It is an even greater pleasure to welcome back the long-absent Yvonne Minton, whose Geneviève cut across the spaces with a trenchancy of attack one would wish more widely imitated – Miss Pace's Yniold likewise, though in demeanour she seems more a fetching *gamine* than a carefully observed and enacted boy.

The sum of all this, on Wednesday, was *Pelléas* as International Opera – of, admittedly, a high-calibre kind. Since recent seasons at Covent Garden have taught one to expect more searching presentations of serious opera, a more inventive blending of international ingredients, it comes as a disappointment.

In repertory until April 8

Music/**David Murray**

San Franciscans abroad

On Wednesday the San Francisco Symphony played the Festival Hall, with a resounding report. The orchestra is a model of professionalism, high technical competence and single-minded unanimity, and in Herbert Blomstedt it has a most judicious music director. If you scent reservations in the offing, it is only because of the programme: as the main work they chose Bruckner's Fourth Symphony, the "Romantic", where something else might have been better for our side of the Atlantic.

They began with John Harbison's new Oboe Concerto, written very specifically for their first oboe William Bennett, and first heard last December in their home town. Harbison's musical idiom is "accessible" middle-of-the-road (he was a Boris Blacher pupil), which doesn't preclude individual ingenuities. The concerto proved quizzical and affable.

It had unmistakable tunes, plenty of lyrical and virtuoso exercise for Bennett (who delivered it with charm) and appealing jazz-effects. The composer has an ear for offbeat instrumental combinations: he rings clever changes on muted brass, and creates whimsical effects with bassoons and an alto sax. Given the dearth of concerti for oboe it may be gratefully taken up by other performers.

Bruckner Four is tougher stuff. The orchestra performed it with the utmost concentration, answering precisely to Blomstedt's every request, with each section playing like a single musician. On the one hand, this conductor had a firm grasp on the proportions of the work, set it out in broad paragraphs, chose unimpeachable tempi and drew high-definition, carefully nuanced "solos" from his violas, high cellos and violins. The opening was lovely: a pianissimo thrill in the air, unhurried eloquence in the first brass phrases.

On the other hand – doubts set in with the second subject, which arrived without a trace of its natural Austrian lilt. For all his admirable tempi, Blomstedt's bar-to-bar beat was severely unbending. The big paragraphs needed more freedom to breathe and speak, and often seemed straitjacketed, even frog-marched, by the unrelenting rhythm.

Since brass entries in *forte* struck like mailed fists (more aggressive than expressive), clocking them in so metronomically evoked the parade-ground rather than the symphony. Their impact nearly always obliterated the other orchestral voices – though that might have resulted from unfamiliarity with the dry acoustic of the Festival Hall.

The net effect was too bald, too hard-edged and unrelaxed for expansive middle-period Bruckner. I think Bruckner's autumnal place in a precise middle-European tradition may be hopelessly remote from the Pacific coast of America.

INTERNATIONAL ARTS GUIDE

This year's Maggio Musicale in Florence (April 27-June 27) includes four opera stagings and a Diaghilev ballet production. The opening production is Jenufa, staged by Liliana Cavani and conducted by Semyon Bychkov, with Katarina Ikonomu in the title role and Marilyn Zschau as Kostelnicka. The Teatro Communale will also give performances of Nuria Espert's staging of Carmen, conducted by Zubin Mehta, with a cast headed by Denyce Graves, Luis Lima and Justino Diaz (first night May 29). Teatro della Pergola will host performances of Poulenc's La Voix Humaine with Renata Scotto (May 11). Die Zauberflöte (June 15) and the Diaghilev production, which includes Fokine choreographies of Les Sylphides and Petrushka (May 21). There are concerts devoted to Janacek and Stockhausen, as well as visits by the Vienna Philharmonic Orchestra with Mehta (May 1), the LSO with Solti (May 3) and the Orchestre de Paris with Bychkov (May 18). Bychkov and Mehta also conduct concerts by the Maggio orchestra, and there are recitals by the Labeques, Andras Schiff, Krystian Zimerman and Yo Yo Ma (Tickets and information: tel 055-277 9236).

The 1993 Schwetzingen Festival (April 25-May 30), organised by South German Radio and based at the rococo court theatre south of Mannheim, opens with Harry Kupfer's new German-language staging of Giulio Cesare, conducted by Richard Hickox. The other opera production is L'incoronazione di Poppea, conducted by René Jacobs and staged by Michael Hampe, with a cast led by Kathleen Kuhlmann (May 13). The concert programme includes Verdi's Requiem conducted by Gianluigi Gelmetti, and recitals by Roberto Scandiuzzi and the Talich Quartet (Tickets and information: tel 06202-4933).

EXHIBITIONS GUIDE

ANTWERP
Musée Royal des Beaux-Arts Jacob Jordaens: large-scale retrospective of the baroque painter born 400 years ago in Antwerp, including 90 paintings, 70 drawings and a unique series of wall tapestries. Ends June 27. Closed Mon
BALTIMORE
Walters Art Gallery Sisley: 60 works from worldwide collections, constituting the first major retrospective of the French Impressionist. Ends June 13. Closed Mon
Museum of Art French Fashion Miniatures. Ends April 25. Also Chinese Children's Hats. Ends June 26. Closed Mon and Tues
BASLE
Kunstmuseum Hermits in art from the 15th to 20th century: a study of the way European painters used the theme of isolation to enrich the art of landscape painting. Ends May 23. Daily
DRESDEN
Albertinum Gotthardt Kuehl (1850-1915): 75 paintings and 41 drawings by the German Impressionist. Ends June 9. Closed Thurs
Kupferstich Kabinett A Century Ago: paintings and drawings by Munch, Toulouse-Lautrec and other late 19th century artists. Ends May 14. Closed Sat and Sun
FRANKFURT
Schirn Kunsthalle Frida Kahlo (1907-1954): retrospective of the Mexican Surrealist. Ends May 23. Daily
Städel Dan Flavin: installations 1989-93 by the American artist. Ends August 22. Closed Mon
THE HAGUE
Mauritshuis Cornelius Troost and the Theatre: an exhibition tracing the 18th century Dutch painter's close ties to the theatrical world. Ends June 27. Closed Mon
LONDON
National Gallery Tradition and Revolution in French Art 1700-1880: a collection of 18th and 19th century paintings and drawings from Lille, including major works by David, Delacroix, Courbet, Chardin and Sisley. Ends July 11. Daily
Tate Gallery Georges Braque: 92 prints from private French collections. Ends June 27. Also Robert Ryman (b1930): 80 canvases and other works by the American Minimalist. Ends April 25. Visualising Masculinities: the male body in art since the mid-19th century. Ends June 6. Daily
Courtauld Institute Boudin at Trouville: 40 paintings by the father of French Impressionism, exploring his fascination with daily life at the seaside resort where he spent his final years in the late 19th century. Ends May 2. Daily
Royal Academy of Arts Georges Rouault 1903-20. Ends June 6. The Great Age of British Watercolours 1750-1880. Ends April 11. Daily
Accademia Italiana Religious Architecture in the 20th century: the work of 40 international architects testifies to the astonishing number of churches, mosques and synagogues built in the past two decades. Ends April 25. Daily
Italian Cultural Institute Scala Diva: 70 black and white photographs from the archives of Milan's Teatro alla Scala. Ends April 23. Closed Sat and Sun (39 Belgrave Square)
Barbican The Sixties. Ends June 13. Daily
LYON
Musée des Beaux-Arts Ernest Meissonier: retrospective of the 19th century French painter of historical genre subjects. Ends June 27. Closed Mon and Tues
NEW YORK
Brooklyn Museum Manet to Picasso: 35 rarely seen works on paper, created between 1870 and 1940, from the museum's own collection. Ends May 23. Closed Mon and Tues
Guggenheim Museum Picasso and the Age of Iron: 100 sculptures 1925-50 by Picasso, Julio Gonzalez, Alexander Calder, David Smith and Alberto Giacometti. Ends May 16. The main museum is closed on Thurs, the SoHo site on Tues
Museum of Modern Art Max Ernst: 180 works illustrating the transformation of his style towards Dada and early Surrealism 1912-27. Ends May 2. Also Drawings of Joseph Beuys. Ends May 4. Santiago Calatrava: models, drawings and sketchbooks by the innovative Spanish architect and engineer. Ends May 18. Closed Wed
Metropolitan Museum of Art The Greek Miracle. Ends May 23. Also The Havemeyer Collection: 450 works ranging from French Impressionists and old masters to Asian art and Islamic pottery. Ends June 20. Closed Mon
Whitney Museum of American Art 1993 Biennial. Ends June 13. Closed Mon
PARIS
Centre Georges Pompidou Matisse. Ends June 21. Closed Tues
Grand Palais The Century of Titian. Ends June 14. Also Amenophis III. Ends May 31. Closed Tues, late opening Wed (ave du General Eisenhower)
Musée d'Orsay 1893: The Europe of Painters. Ends May 23. Closed Mon, late opening Thurs (quai Anatole France)
PRAGUE
Wallenstein Riding School Bohumil Kubista (1884-1918): 160 paintings, pastels, drawings and prints tracing the development of one of the strongest personalities at the dawn of Czech modern art. Ends May 30. Closed Mon
Kinsky Palace Jiri Kolar (b1914): the Paris-based artist's first major show in his native country. Ends May 2. Closed Mon
ROTTERDAM
Museum Boymans-van Beuningen Kees Timmer (1903-78): retrospective of the Rotterdam painter who portrayed animals in a colourful and severely stylised vein. Ends May 23. Also Joost van Roojen (b1928): 60 watercolours. Ends May 2. Closed Mon
STUTTGART
Staatsgalerie Jeff Koons: retrospective of the 38-year old American enfant terrible of the international art scene. Ends April 18. Closed Mon
Galerie der Stadt The Rudolf and Bertha Frank Collection: 100 Expressionist works, including paintings by Kirchner, Dix, Nolde and Kokoschka. Ends April 4. Closed Mon
VIENNA
Kunstforum Vienna Biedermeier, Painting between the Congress of Vienna and the 1848 Revolution: 140 major Austrian genre paintings, capturing 19th customs and traditions and describing life in the city and the country. Ends June 27. Daily
Historisches Museum Ferdinand Georg Waldmüller: 40 oil paintings by a leading exponent of Viennese Biedermeier style, marking the 200th anniversary of his birth. Ends May 30. Closed Mon
Albertina Albrecht Dürer: three of the great woodcut series by the German Renaissance engraver and illustrator. Ends April 25. Daily
Künstlerhaus The World of the Maya. Ends June 27. Daily
KunstHaus Andy Warhol. Ends May 31. Daily
Kunsthistorisches Museum The Portuguese in India. Ends April 21. Closed Mon
WASHINGTON
National Gallery of Art William Harnett: 48 works by the 19th century American still-life painter. Ends June 13. Drawings from the O'Neal Collection: 58 old master and modern drawings from 16th to 20th centuries. Ends Aug 15. Daily
National Museum of American Art Masterworks from American Art Forum Collections 1875-1935: 64 works by Childe Hassam, Mary Cassat, John Singer Sargent, Edward Hopper and others, all from private collections. Ends July 5. Daily
Hirshhorn Museum Alison Saar: 20 mixed media wall pieces and life-size figures inspired by contemporary African American culture and other themes. Ends June 27. Daily
Renwick Gallery American Wicker: 80 pieces of woven furniture, embracing the extravagant arabesques from the late Victorian era and the rustic simplicity of the Arts and Crafts period. Ends Aug 1. Daily

BOOK REVIEW

Architecture of corporate advantage

For more than 30 years, students of corporate strategy have sought to understand and categorise the essential conditions which determine business success. But in that time, what of practical value have they actually discovered?

Not much, according to John Kay. At worst, he argues, corporate strategy is akin to quack medicine. Highly susceptible to fad and fashion, it owes its continuing appeal more to the plausibility of practitioners and the desperate search by managers for solutions than to any evidence that it delivers beneficial results.

As professor of economics at London Business School and former head of its Centre for Business Strategy, Kay is well-qualified to play iconoclast. However, the main purpose of this book is not to demolish corporate strategy, but to legitimise it as a discipline by redefining its role and equipping it with more precise analytical tools.

The obvious first question is how to judge success. Kay rejects yardsticks such as scale, market share or return on capital. He plumps instead for added value, the margin by which the value of a company's output exceeds the costs of the raw materials, capital and labour it employs.

On this measure Glaxo, Benetton, Reuters, Petrofina, Kwik Save, LVMH and Guinness rank among the stars of European industry, with which Kay is primarily concerned. By contrast, Philips, the ailing Dutch electronics group, has had negative added value in recent years: in other words, it has been destroying wealth, a process which, in the absence of subsidy, cannot go on.

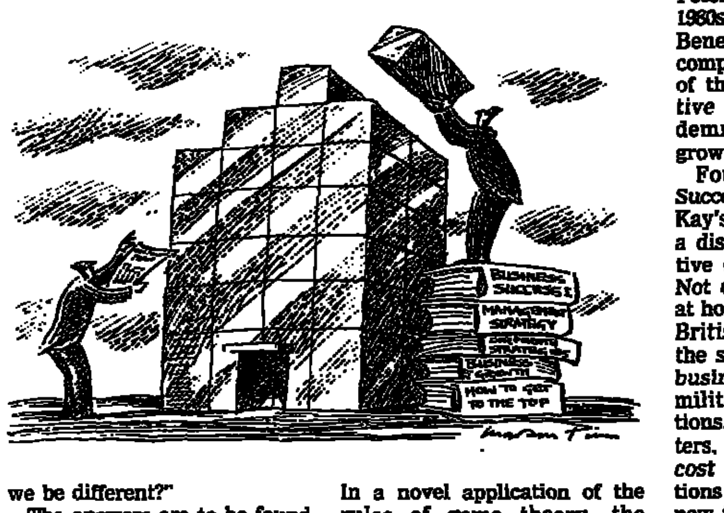
In analysing these companies' performance, most approaches to corporate strategy would seek to extract from their management methods and organisation general lessons which could be profitably applied by other businesses. But that, according to Kay, is where conventional practitioners have come badly unstuck.

Not only, he says, do their prescriptions often amount to arid checklists and platitudes, of negligible practical value. Their whole approach is based on a logical nonsense. For every company's competitive advantage is, by definition, unique to it and cannot be replicated or adapted by others. If it could be, it would soon be nullified.

FOUNDATIONS OF CORPORATE SUCCESS: HOW BUSINESS STRATEGIES ADD VALUE
By John Kay
Oxford University Press
£19.95. 416 pages

Failure to grasp this lesson has trapped many businesses in futile "wish-driven" strategies. In the case of Bull, the embattled French computer maker which has long struggled to become Europe's answer to IBM, the vision was unachievable. In the case of the Saatchis' ruinously expensive efforts to build a global marketing services company, it was not worth achieving.

Kay argues that, instead of being beguiled by the vision thing, the proper function of corporate strategy is to start with the question: "How can we be different?"



The answers are to be found by identifying within each company its most valuable sources of actual or potential advantage. These distinctive capabilities, as he calls them, fall into four broad categories and can occur singly or – preferably – in combination.

One is innovation, a fragile advantage because it is easily replicable by competitors. Another, more defensible, capability is reputation, typically in the form of strong brands. A third is strategic assets, such as a government-sanctioned monopoly or airlines' landing slots. These inhibit market entry by rivals, though their owners do not necessarily create added value.

The fourth capability – and in Kay's view the most critical – is what he terms architecture: the links between a company and its employees, customers and suppliers. More far-reaching than corporate culture, architecture is the fountainhead of institutional knowledge and adaptability.

At the heart of strong architecture is a network of stable relational contracts, or implicit understandings between participants which govern their behaviour towards each other. In a novel application of the rules of game theory, the author finds that such contracts are most likely to flourish when a game is played repeatedly over a long period. This is because players' knowledge that they must go on dealing with each other discourages selfish opportunism and favours a mutually beneficial outcome.

This is an important feature of successful businesses such as Marks & Spencer and many Japanese and German companies, which have consistently managed to unite a range of interests behind a common purpose. As Kay puts it: "Architecture does not create extraordinary organisations by assembling extraordinary people ... but by enabling very ordinary people to perform in extraordinary ways."

Conversely, many of the deficiencies of US and UK corporate practice identified by critics of "short-termism" stem from a business environment which prizes one-off transactional relationships and pursuit of individual gain above continuity and stability. One of its biggest weaknesses is that the appropriation of wealth can too easily take priority over its creation, as exemplified by the US buy-out boom of the late 1980s.

Other students of corporate performance have identified some of these connections before. But none has explored them as thoroughly as Kay, who succeeds in marrying an authoritative grasp of economic, legal and sociological theory with an impressively detailed knowledge of contemporary business practice.

A further strength of his approach is that it does not assume that outstanding corporate success is immutable – a common mistake of management books, notably In Search of Excellence, Waterman and Peters' best-seller of the early 1980s. Indeed, Kay's analysis of Benetton concludes that the company has exhausted much of the potential of its distinctive capabilities and is condemned to much slower growth in future.

Foundations of Corporate Success is not without faults. Kay's claim to put strategy in a distinctly European perspective does not really stand up. Not only does he appear most at home when dealing with the British corporate scene, but the sheer diversity of national business practices in Europe militates against generalisations. Furthermore, some chapters, such as those devoted to cost accounting and acquisitions and mergers, have little new to add.

But these are minor criticisms of a powerfully argued book, which casts a fresh light on a range of practical business challenges. It should also engender a healthy scepticism towards the currently fashionable school of theory which holds that strategy is all about aspiring to realise towering management visions.

As Kay puts it: "If there is a single central fallacy in much modern strategic thinking, it is the notion that the act of will is the most important element in corporate achievement."

Guy de Jonquières

Joe Rogaly

The lion sleeps tonight

That creaking sound in Downing Street is of a prime minister's equilibrium being restored. On Wednesday night the government won a procedural vote on the bill to ratify the Maastricht treaty. Whew! Yesterday it presented a white paper on coal that stands a chance of being accepted by the House of Commons. Crikey! These two happy portents follow a Budget whose public reception has pleased the chancellor of the exchequer, if not absolutely everyone else. Sighs of relief all round.

There is no cause to get over-excited. Mr John Major may conclude that the Conservatives' prolonged winter of disasters is coming to an end, but that does not change the quality of his cabinet. Britain still has to live with the best that a less-than-scintillating administration is capable of delivering. That means we must endure a continuation of government in bits and bobs. Some bits may be beneficial. Many will do very little harm. Few are likely to be connected to one another. There is no theme to this government, and little in the way of consistency. As one of the prime minister's loyal backbenchers put it the other day: "The sixth form has taken over the school, and the smarter among them are beginning to get the hang of things." Or as certain City lunch-tables have it: "We'll never have a decent government until Clarke is prime minister and Portillo is chancellor."

It is not many years since gossip put the name "Heseltine" where Clarke presently stands. Mr Michael Heseltine, who published the revised plan for coal yesterday, is one of a small number of grown-up politicians around Mr Major. He is one of the few men of substance in a cabinet of phantoms. Until recently his politics always aroused some kind of passion: he was either strongly admired or deeply mistrusted. This now toothless lion of British politics celebrated his 60th birthday last Sunday. The festivities were marred by several hours he was obliged to spend on coal, the subject that since October has threatened to blight the evening of his career.

The party over, he slogged through a week in which he could hardly avoid looking and sounding harassed. He took to musing, as might be expected on such an anniversary, about his life's work. He has not done badly: built up a publishing empire; made a fortune; planted an arboretum; toppled a prime minister; risen to become secretary for trade and industry. The latter is the cabinet post, top dog's apart, that he always says he holds in highest regard; what a pity he has chosen to call himself president of the Board of Trade. It would be piquant, he acknowledges, if he, the instrument of Lady Thatcher's downfall, were to be destroyed by the coal mess, itself a consequence of the mishandling of energy policy by the then Mrs Thatcher's government.

Heseltine retains enough political skill to know how to repackage an old pit-closure policy and scent it with flattery of his Tory opponents

Such a drama would properly be entitled The Lady's Revenge. It could yet reach our political theatre, although it is unlikely. The "president" will have had little difficulty in persuading his colleagues that he will resign on Monday if at the end of the debate on his white paper the house rejects it. As he is not slow to point out, he is a man of honour. He has resigned once before. Against that, he retains sufficient political skill to know how to repackage an old pit-closure policy and scent it with flattery of his Conservative opponents.

He is still well able to turn on the enemy when fire is aimed at his person from all sides. For years a British sport has been to watch him get out of political traps by attacking the Labour party. That is what he did yesterday. It was hugely enjoyable. As insurance, he wrapped his presentation in a few hundred million used pound notes dunned from the taxpayers. A "few?". Precision was not on offer. The "president's" white paper should, however, achieve two objectives. It should ensure the survival of Mr Heseltine, at least for long enough for him to be able to say, as he ascends to the House of Lords, that he has had a good innings. To do that, it must turn out to be enough to bamboozle most of the small band of Tory backbench opponents of pit closures into the self-delusion that something lasting has been achieved.

The truth, however, is that the run-down of coal mining will continue, albeit at a slightly slower pace. The laws of economics are dictating the terms, and would have done so if there had been no botched Thatcherite energy policy, no Heseltine humiliation when the closures were announced last October, no select committee report, and no white paper yesterday. The mines employed 1.25m men in 1920, the peak year. At the time of nationalisation in 1947 this figure was down to 700,000, doubtless including some women. Last October it stood at 54,000. The 31 pit closures then announced would have taken it to 24,000 by now.

The employer, British Coal, is nearly half-way there. Some 8,000 miners have accepted redundancy since October. A further 5,800 near-term job losses were announced yesterday. Mr Heseltine's lengthy white paper, like the chancellor's budget, throws in everything his civil servants could think of, and a few extras besides. British Coal will be privatised. While awaiting that glorious day, it will offer pits it does not want to private buyers, within the constraints of the current law. The remainder will be "mothballed" or subsidised for a period while the market asserts itself. In short, that 24,000 figure may be delayed by a year or two, but it is coming in spite of everything.

If the trick works it will be an achievement of sorts. The government fell on its face last year because it allowed Mr Heseltine, who should have known better, to announce the instant closure of 31 pits. That was at a time when nobody had much respect for any minister following Britain's ejection from the exchange rate mechanism. At the same time, most people were deeply worried about unemployment for themselves or their families.

The worst outcome of the subsequent negotiations would have been a total panic and an open-ended commitment to subsidise an ever-increasing mountain of unsold coal. By playing the game long, and by talking down expectations in advance, the government has won itself a chance of buying its survival relatively cheaply while yet running down an industry that, on environmental grounds, should be written off by the turn of the century.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Talisman no successor to Taurus

From Mr G H Seel.

Sir, Your review of the Taurus project ("Sudden death of a runaway bull", March 19) contained a clear warning for those hoping to build a long-term solution for the London equity market's settlement requirements on the base of the Talisman system. A key quotation pointed out that Talisman was a 14-year-old system where much of the software is unique or obsolete and will not tolerate interference. However successful Talisman has been, it will be very difficult to extend its functions and its performance even to support a limited system providing facilities for the largest institutions. Any attempt to develop it to a level where it could support rolling settlement and delivery versus payment would almost certainly end in a similar disaster to the Taurus project.

Eventually, a modern system will have to be installed, whether it is written as bespoke software or developed from a system in use elsewhere. To be successful, the project must be strongly controlled with a clear and consistent goal towards which the business analysts and technicians can aim.

Further, the best technical expertise must be obtained, so input from other areas with greater experience of large, high-performance databases (for example, the airline industry) must be sought. It would seem likely that only the Bank of England would have the authority to overcome vested interests within the City and bring such a project to a successful conclusion. Past history in terms of the gilts and money market settlement systems provides hope that the Bank can and will exert such authority.

G H Seel,
Financial Object Resources,
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Subsidiarity the prime reason for voluntary ecology audits

From F R van der Mensbrugghe.

Sir, With reference to your article, "Voluntary ecological audit scheme approved by EC" (March 24), it is subsidiarity which is the primary reason behind the European Community having agreed on voluntary ecological audits, rather than mandatory ones.

Already present within the Treaty of Rome via Article 130r [4] (added to the treaty by Article 25 of the Single European Act and a rare application of subsidiarity in a legally binding instrument), the principle of subsidiarity implies a withdrawal of authority. When the Commission first drafted its 1990 proposals calling for mandatory eco-audits, it was under the impetus of the then environment commissioner, Mr Carlo Ripa di Meana, chided at the time by Jacques Delors for failing to respect subsidiarity. The Commission's president may thus be considered responsible for the agreement on voluntary eco-audits.

As obscure as it may seem in practical terms, Mr John Major and Mr Douglas Hurd rightly understand and support the principle of subsidiarity. Indeed, British ratification of the Maastricht treaty, built on its letter and spirit, serves the interests of Britain.

F R van der Mensbrugghe,
researcher at the law faculty,
University of Namur,
Belgium

Greater transparency likely in French privatisation programme

From Mr Alfred Latham-Koenig.

Sir, I would like to offer a few comments on William Dawkins' excellent article on French privatisation ("Assault on the state frontiers", March 16).

The commission on privatisation – which he doesn't mention – will play a far more important role than in 1956 and operate with greater transparency and full independence. It will not only fix minimum prices for companies to be privatised but also select the *"noyaux durs"* so that the government cannot be accused, as in 1986, of unduly favouring its supporters.

The privatisation programme will most probably be in two stages: in the first two years ending with the presidential elections of 1995 the most likely candidates are Rhone-Poulenc, Elf-Aquitaine, AGF (Assurances Générales de France), Renault, in that order, and it is doubtful whether the first privatisation could be effected before October 1993.

In the second, post-1995 stage, depending on the result of the presidential elections, the success of the first tranche and the buoyancy of the stock market, it is probable that the government will gradually open up the capital of some public monopolies such as France Telecom or EDF to private capital while maintaining a controlling interest.

Alfred Latham-Koenig,
special adviser,
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1 Lambeth Palace Road,
London SE1 7EU

Demonstrating the value of tight controls

From Mr Richard Lassen.

Sir, The article by Lucy Kellaway, "Tighter rein in the treasury" (March 22) demonstrates the value of controls provided that they are applied rigorously.

Outside the banking sector, the one group of businesses which has worked harder at improving controls, particularly where new instruments are concerned, is the building societies.

Perhaps there is something to be said for regulation after all?

Richard Lassen,
divisional director (treasury),
Nationwide Building Society,
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Moulton Park,
Northampton NN3 1NL

No ignoring the actuarial facts of age

From Mr Alan Smallbone.

Sir, Your correspondents, M H Upson and Mark Scheinbaum (Letters, March 24) are missing the point. A 39-year-old highly skilled applicant is most unlikely to be significantly less suitable than an equally experienced one of 49, for any job. However, if the employer operates a "final" pay pension scheme – and most substantial companies in the UK do – the older individual will be far more expensive in prospective pensions liability for, say, 15 years' service to come. No amount of legislation concerning age limits in advertisements will alter the actuarial facts, and any system which inevitably imposes costs on employers that climb with age and time, irrespective of workers' productivity, is a sure catalyst for the destruction of older people's careers.

Alan Smallbone,
30 Temple Fortune Lane,
London NW11 7UD

Real returns required on railway projects a bar to investment

From Mr Alan Gregory.

Sir, In his letter (March 11), David Howell comments on the "imperative need to raise levels of investment in the infrastructure of the country", and notes the need to take a long-term view of such investment. The government's approach to the problem of railway capital projects is to promote legislation which is highly unlikely to stimulate new investment, while requiring all new publicly financed projects to earn 8 per cent in *real* terms.

One can plausibly argue that this rate of return is far too high, bearing in mind the current costs of capital implied by the level of the stock market and the risks of rail investment. The dividend yield on the FT-All Share Index is just above 4 per cent; if one assumes a real long-term dividend growth rate of 2.5 per cent per annum and applies the standard dividend growth model, the result is that the implicit future real return on the market is about 6.7 per cent. Given a real yield on long index-linked gilts of approximately 3.5 per cent, the current risk premium on equities is about 3.2 per cent.

In the sense of economic risk (the type measured by beta), rail investment seems likely to be of less than average risk, possibly compatible with that of other UK utilities. These have betas which average between 0.7 and 0.8 per cent, suggesting a risk premium of 2.2 to 2.5 per cent. However, these betas reflect *equity* costs of capital, and private sector utilities benefit from the tax advantage of debt finance. Depending on the gearing assumptions one wishes to make, it seems reasonable to assume that a fairer required return on new rail investment is around the order of 4-5 per cent. Furthermore, any social benefits of railway investment should be included in the investment analysis.

The current policy on rail investment could have far-reaching consequences for future economic development and the environment. Fortunately, the remedy is a simple amendment of the investment appraisal rules. The budget offered the chancellor the ideal opportunity to make such an amendment. He missed it.

Alan Gregory,
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FINANCIAL TIMES

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Friday March 26 1993

Heseltine at the coal face

IT HAS taken Mr Michael Heseltine, Britain's trade and industry secretary, five months to clear his throat and try once more to explain what he thinks to be the appropriate future for the country's coal industry.

On October 13 last year, he announced that demand for British Coal's output was falling so fast that he could see no alternative to the company's plan to close 31 of its 50 pits. With the recession at its bleakest, the public edgy and the Tory backbenches in a flush of post-election enthusiasm for lording it over a government with a slim majority, the proposals hit an unscaleable wall of resistance.

Yesterday, Mr Heseltine looked muscular enough to scale that wall. He now thinks that 12 of the 31 doomed pits can be saved. But at what cost has this has been achieved, financially and in terms of additional muddle for Britain's energy industries?

The 150-page document Mr Heseltine produced yesterday to support his case at least has the merit of stating soundly, if inelegantly, the principles upon which energy policy should be based. It says: "Competitive markets provide the best means of ensuring that the nation has access to secure, diverse and sustainable supplies of energy in the forms that people and businesses want, and at competitive prices."

It is also obvious that Mr Heseltine has not changed his view that the coal industry faces decline, at the hands of cleaner, cheaper gas and continued supplies of cheap electricity from nuclear power stations where construction costs have been written off and where decommissioning costs are there to be paid whether they are shut down or kept going.

Resisting pressure

The government has resisted most of the most foolish things urged by its critics. It will not delay the liberalisation of the electricity supply market; it will not switch off supplies of French electricity; it will not interfere with freely agreed contracts based on gas-fired power stations. It will not instruct the big electricity generators, National Power and PowerGen, to buy more coal than they think fit. Or at least, it will not do so openly.

At the same time, it has made concessions to the influential Commons Trade and Industry Committee which are at worst harmless. There will, for example, be an annual energy report and a panel of energy advisers, perhaps along the lines of the Treasury's panel of forecasters. Both these innovations could improve the quality of public debate and force the government to set its market-led energy policies in a strategic context and so avoid conceding by default the argument that it lacks an energy policy.

Unclear picture

So far, not so bad. The problem is that for all its welter of detail, the report fails to give anything like a precise picture of the cost of the subsidies it proposes to make British coal more saleable. Since the report also suggests the government may lean on the power generators to carry more stocks than they need, there is a further potential line of subsidy under the table.

Worryingly, no clear time limit is set on these subventions, raising the possibility that a weak government will in practice back off from difficult decisions, requiring the taxpayer to pick up any bill British Coal happens to run up. In other words, it could be business as usual for the British coal industry.

This need not be the outcome. If the government does as it promises and presses on quickly with a privatisation bill, while lifting British Coal's effective monopoly on the licensing of mines and putting all redundant pits up for sale, the coal industry could be quite swiftly transferred to the private sector. There, it is much more likely to achieve the productivity advances which consultants have argued to be feasible. Since the subsidies proposed yesterday will also be available to private sector coal companies, they could be used as fixed-term sweeteners for privatisation deals.

Mr Heseltine has the makings of the right policy, but it will take more months of political skill and determination to achieve it. His next steps should be to come clean about its cost and get on with the job of privatisation.

Tasks for the mobile manager

IBM IS apparently about to choose a consumer products boss as its new chief executive. Barclays is looking worldwide for a "change agent" who could come from outside banking. Ilva, Italy's state-owned steelmaker, hopes for rescue from a newly recruited Japanese manager. Volkswagen, in hiring GM's procurement supremo, has also taken his sidekicks.

With "back to basics" and "sticking to your knitting" the business cliches of the hour, you might think the mobile manager would be out of favour. Instead, top executives skip from group to group like soccer managers; and shareholders call for fresh management "from outside" whenever problems appear intractable.

Two factors contribute to this trend. First is the one Sir Denys Henderson, who is heading the search for Barclays' new boss, alluded to when he talked of the need for a "change agent". The 1960s belief in generalised management skills has dropped out of favour – to be replaced with a belief in a generalised talent for instigating change.

Thus Mr Louis Gerstner, favourite for the job at IBM, is in demand because he has brought about change at American Express and RJR Nabisco. Now he can apply those skills to changing what was once America's mightiest corporation.

The second factor, though less overt, is surely more potent. This is a general crisis of the corporation, the organisational structure created by such companies as the Pennsylvania Railroad and Du Pont a century ago.

Obsolete model

Global competition, the revolutionary impact of information technology, the ever-vaguer boundaries between a company and its suppliers and customers – together these are making the traditional corporate model obsolete. When new managers are sought, the underlying belief is that they will resolve the crisis – or perhaps merely make it go away.

In such circumstances, an incoming executive's success depends only in part on those characteristics of will-power and moral certainty that headhunters call "leadership qualities". More decisive, in the long run, is the nature of the business, the seriousness of its day-to-day problems, and the extent to which the board really wishes to address the questions posed by the crisis of the corporation.

The most celebrated change manager of recent US experience, Mr Jack Welch of GE, started to address his company's hidden structural crisis before it began to be reflected in operating results. He had the time, therefore, to think and persuade.

A manager brought in from outside to rescue a sick company has no such luxury. At the same time as trying to bring about long-term, far-reaching change, the new boss must also cope with each day's fresh diet of crisis and despair. The task is made the harder if the new leader must also learn an industry, a culture, a language from scratch.

Valuable insights

Yet an outside manager has one enormous advantage over even the most competent insider. The most difficult aspect of the crisis of the corporation is the need for companies to redraw their boundaries – to cope with changing global competition by taking a fresh look at what they make, as opposed to what they buy, and how they relate to suppliers and customers. On this issue, above all, an outside manager can offer insights that insiders miss.

Significantly, most of the big companies currently looking far afield for management talent have this sort of problem. IBM must decide just which of its huge range of computer activities are its core business; VW must shift from internal to outside sourcing of components; and once its immediate bad debt problems are past, Barclays must resolve the tension between a domestic retail financial services operation and an internationally minded wholesale banking and securities business.

Perhaps there is, after all, no contradiction between the back-to-basics mood and the desire to find top managers from outside. Companies must decide just what their knitting is, before setting about the task of sticking to it. For those who find that difficult, an outside manager who can help is worth all the fees and bad publicity that a public search entails.

Recession has put Brussels' hands-off approach to EC industry to the test, say **Andrew Hill** and **Tony Jackson**

In sickness and in health

European industry is in the grip of recession and wants government to do something about it. There are cries for help from makers of Spanish steel, Dutch trucks and Portuguese textiles. The EC's formal answer is clear: the old days of helping lame ducks and picking winners have passed. The best future for Europe's manufacturing lies in competition and the single market. But that policy was agreed in the prosperous late 1980s. Now that times are tough again, can Brussels hold the line?

"The next few months," says a senior EC official, "are decisive for the credibility of our policy." The official line is enshrined in a document produced by the European Commission in 1990. The document has all the hallmarks of close co-operation between the EC industry commissioner, Mr Martin Bangemann, and Sir Leon Brittan, then competition commissioner and a staunch opponent of interventionist industrial policy.

It backed a "hands-off" approach, based on firm rules and the creation of a stable environment for Community industry. Companies themselves would have to do most of the work to remain globally competitive. The Community would do its best to provide, in the jargon of the paper, the "prerequisites, catalysts and accelerators" for growth.

"The aim is to make European industry effective," says Mr Bangemann. "To be there if there's a problem and to help industry to overcome the problem."

The argument is expanded by Mr Riccardo Perissich, director general for industry at the Commission. "The only conviction I have is that there should be a large manufacturing base in Europe. That still is the main source of prosperity in our society. The fashionable ideas of the 1980s that we are going towards a post-industrial society are rubbish.

"But from that point onwards, I've never believed in sunset industries and advanced industries – things we should have and shouldn't have," he says. "It could be madness to invest too much in computer chips where one cannot be competitive. Textiles can be a fantastic industrial base, provided they are competitive. In the world we're living in, sectoral priorities are very dangerous."

But senior Commission officials concede that times are now harder. "When the sun shines and we all feel warm, it's easy to renounce the policy of preferring one sector against another," says one.

Mr Perissich adds: "The pressure to be defensive is increasing, there's no doubt about that. The 1990 document was written at a time when European economies were converging and there was good growth, and now we have neither."

In addition, threats by the new US administration to act tough in existing trade disputes – public procurement, steel and civil aircraft – and suggestions that President Clinton may intervene to assist important strategic US industries are tempting EC member states, if not the Commission itself, to respond with a European brand of protectionism and interventionism.

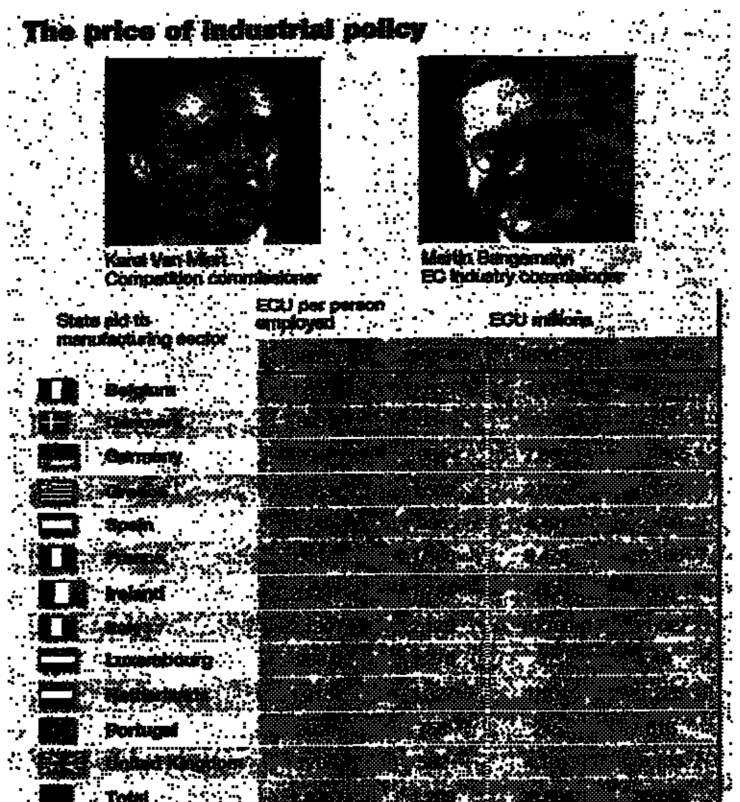
A separate danger is pointed out by Mr Karel Van Miert, who succeeded Sir Leon Brittan as competition commissioner in January. In the 1980s, he says, national industrial interests were increasingly subsumed in EC-wide policy. "The tendency now, with the depressed economic situation and public opinion, is in the opposite direction. That means that more and more, regions or member states will themselves be under pressure. Enterprises are going broke, and state aids are being given in cases where it doesn't make any sense."

At the moment, Mr Bangemann and Mr Van Miert are preoccupied with the plight of the EC steel industry – hit by recession, cheap imports from non-EC countries and overcapacity. If an EC-wide plan to support the industry is to succeed, they must dissuade countries such as Spain, Italy and Germany from unilaterally subsidising Europe's least efficient steel producers without regard to the effect on the rest of the EC industry. Mr Van Miert has warned of a damaging "state aids race" in the steel industry, which could be mimicked in other politically sensitive sectors such as cars and electronics.

However, as another Brussels official says, there is a simple pressure the other way. "The money isn't there," he says. "[Funding for] industrial policy is being crowded out by the cost of servicing debt."

But if the picture looks like one of straightforward competition uncluttered by subsidy, it becomes less clear on inspection. As another senior official says: "In Brussels you find little ideology, but you find a lot of interests."

Commissioner Van Miert says: "If it were all left to competition inside and outside the Community, what would be left of agricultural policy? What would be left of shipbuilding? Nothing. What would be left of steel? Not very much. Of textiles? Not very much."



From a free market viewpoint, the obvious question is whether that matters. "Of course it does," the commissioner says brusquely. "Do you really believe our competitors take that kind of view? Do the Japanese? Do the Americans? You should not be naive about it. I very much believe in competition, but not as a religion. You must observe a proper balance."

This raises a separate question. In Japan and increasingly in the US, it is taken for granted that certain strategic industries – the so-called technologies of the future – should receive special treatment. In the widest sense, this constitutes picking winners. Where does the Commission stand?

Mr Perissich is carefully ambiguous. Take, for instance, electronics and telecommunications. "It's difficult to have a very clear strategy of what Europe should do there. On the one hand, it would be madness for us to concentrate the enormous resources it would take to make sure that European industry becomes a player at the same level as the big American and Japanese competitors. It could be done, but the cost-effectiveness of the operation would be impossible to prove. At the same time, I am also open to the argument that in some elements of these technologies, there is a danger of dominance by oligopolies based elsewhere. They can then play a number of games – technological protection, predatory pricing – which distort the situation."

The same ambiguity informs his view of possible lame ducks. The European car industry, he says, has every chance of survival. But what if it did not? "In political and social terms it's an enormously important industry. Psychologically too. If you told public opinion tomorrow that the car industry was going to disappear, they would look on that as a tremendous loss."

But, he adds: "We gradually have to bring people to accept that if they stick to the narrow concept that there must be an Italian or a French or a German or a British car industry, then they are doomed. But that can only happen if we are both pragmatic and cautious."

All the same, it is hard to find a voice raised in Brussels these days in favour of old-style dirigisme. There seems to be universal commitment to the principle of the internal market, which officially opened for business on January 1 and is described by one official as "the largest industrial policy move we've made for years". There has been no attempt by member states to restore internal barriers to goods, services and capital, despite the fact that the pressures resulting from the single market have worsened the effects of recession.

The shortage of cash is also a reality. According to Commission figures, subsidies to manufacturing in the Community have been gradually declining since 1986. Aid by individual states totalled Ecu36bn (£29bn) between 1988 and 1990, 9 per cent down on the preceding two years. "Not only do we have more rules, not only do we operate those rules more transparently, there's also less money available," says a senior competition official.

That observation applies to both national and central policies. EC leaders agreed at the Edinburgh summit that the overall EC budget would rise to Ecu84.1bn by 1999, in 1992 prices. Of the total, the EC's common agricultural policy – the archetype of a flawed sectoral strategy – will receive Ecu38.4bn in 1999. Structural funds, spent on the poorest parts of the Community, will reach Ecu30bn. By contrast, the budget for "internal actions" – including the funds earmarked for industry through R&D, transport and infrastructure spending – will rise from Ecu3.94bn in 1993 to only Ecu5.1bn in 1999.

Mr Bangemann, who has held the industry portfolio since 1989, claims a lack of funding has never hamstrung his strategy: "My policy isn't based on money, it's based on policy," he says.

The December reshuffle of Commission portfolios gave him control over telecommunications and a substantial part of the Community's R&D funding. In principle, Mr Bangemann wants telecommunications – including information technology – to spearhead EC industry policy in the next two years. The practical reality, however, is that his policy is only one of many competing for a dwindling pot of cash.

John Plender says France's commitment to the franc fort policy threatens financial stability

Le doomsday machine

With the leaders of the main parties in the French elections uniformly committed to the same brand of hair-shirt economics, the only worthwhile political debate has been taking place in the markets. The question remains: is the *franc fort* policy, to which the incoming government will be as committed as the old, sustainable? It matters not only for the growing army of the unemployed in France, but for the future of Europe.

The starting point of the debate is the conjunction of French short-term interest rates of about 11 per cent with inflation heading for 2 per cent or less. The French economy is thus living with real (inflation-adjusted) short-term rates of interest of nearly 9 per cent. That is only a minor irritant for many private individuals, since home loans are largely at fixed long-term rates. The banks' prime lending rates, which apply to 90 per cent of consumer borrowing, have been kept artificially low at 10 per cent to mitigate the pain for others.

But for the corporate sector it is another matter. There, as a recent paper from Midland Global Markets Research points out, only 30 per cent of total debt is long term. The squeeze is most severe for small businesses, which are dependent on the banks for funds. They, too, are helped by the banks holding base rates at artificially low levels. But not enough, as Midland says, to prevent soaring bankruptcies.

The real crunch, however, is in property, where the fall in the Paris market is becoming serious. The banks could probably live for some time with base rates below their marginal cost of funds, particularly where they have access to cheap retail deposits. But as Robin Monro-Davies of the rating agency IBCA argues, they cannot survive a remorseless deterioration in the quality of their assets. The scale of the problem is, so far, smaller than in Britain or the US. But for want of lower interest rates, the French are manufacturing a comparable crisis.

A government committed to the European exchange rate mechanism is necessarily condemned to this seemingly perverse course of action. Instead of bolstering bank profits by reducing short rates, as the US Federal Reserve has successfully done in comparable circumstances, the authorities are maintaining an inverse yield curve – that is, keeping short rates above long rates. The result is a doomsday machine which, if allowed to continue, would eventually destroy the solvency of the banking system, wreck the public finances and impose a savage credit crunch on the economy.

If allowed to continue, the policy would eventually destroy the solvency of the banking system

No one has told the Paris Bourse, which has been looking forward to bank privatisation. While the rating agencies have downgraded the debt of big French banks, share prices of Banque Nationale de Paris, Crédit Lyonnais, Paribas and Suez have risen by about 20 per cent since the new year, far outperforming the market. This looks like cloud-cuckoo land.

In effect, the government is betting the whole banking system on a sudden dash for Franco-German monetary union, or on the Bundesbank reducing interest rates far and fast. The promise of early monetary union, combined with an open commitment to defend a fixed parity at any cost, would help by reducing the risk premium in French interest rates – the extra return to compensate for not being in the more stable D-Mark.

But will the Bundesbank be bludgeoned into accepting a deal that puts it out of business and kills the D-Mark? And will Bonn be so keen on monetary union with a new French government whose trade policy it finds repellent?

If, implausibly, the answer to both questions is yes, the banking problem would be more manageable. But interest rate convergence with Frankfurt would still leave the French with real short rates of more than 6 per cent – swingeing in a recession. And the markets might anyway demand higher rates for the unified currency to compensate for the loss of exclusive German monetary management.

As for the Bundesbank, further interest rate cuts are inevitable since the German economy is groggy. Yet the recently agreed solidarity pact looked a conspicuous fudge, with little attempt to prune the public sector until mid-decade. With its own survival at stake, the Bundesbank has less incentive to hurry the cuts; and in view of the continuing laxity of fiscal policy, it is hard to see its council readily conceding any level of interest rates over the next 12 months that would take France off the hook. Meantime, further French victories in yesterday's battle against inflation will simply add to the pain.

This suggests that if the new French government sticks with the *franc fort*, and fails to win early monetary union, the sustainability of policy will remain an issue for far longer than assumed. The battle with the markets is far from over.

OBSERVER

Empty seats at pit head

■ Finding a few bodies to fill the vacant seats on the board of the British Coal Corporation is hardly the most pressing item on Michael Heseltine's agenda. However, it has taken on a sense of urgency following the publication of the Prospects for Coal white paper.

The terms of Bert Wheeler, the deputy chairman, and Kevan Hunt, the employee relations director, expire next week and the government hasn't yet replaced Malcolm Edwards, the commercial director who was ousted last year, or Ken Moses, the strategic planning director who died. If it doesn't act soon, the only two British Coal executives left on the corporation board will be Neil Clarke, the chairman, and Michael Butler, the finance director.

It is not as if there is any shortage of talent on the executive committee which runs the day-to-day business. Andrew Horsler, in charge of marketing, could easily step into Edwards' old seat and Ray Proctor, who heads British Coal's privatisation team, would fit in with Hezza's commitment to appoint a board member with special executive responsibility for privatisation.

It is understood that Neil Clarke has already indicated his willingness to put Proctor up for board membership. It is far from clear whether the delay in making the appointment comes from the government side or from Proctor himself – conscious that his job security may be a little less assured if he were no longer a humble employee.

Fly paper

■ Will the ink still be wet on one of the papers to be presentedat the Institute of Internal Auditors' conference in London next Wednesday? Called "Developing procedures for the prevention, detection and control of fraud", it has a section on managing ethical and procedural issues. The speaker? The chief internal auditor of British Airways.

External eyes

■ Sad to see Peter Wood, Barclays' able finance director, jumping ship and joining Standard Chartered, a bank less than a quarter its size. He's the type of veteran that Barclays can ill afford to lose.

The internal warfare at the top of Barclays, leading to this week's decision to look outside for a new chief executive, must have been even worse than suspected. Andrew Buxton and Humphrey Norrington, his vice-chairman, have been with the bank for over 30 years. But virtually every one else at the top is a relative new boy. No doubt this results in plenty of fresh ideas but big clearing banks are conservative institutions where there is a premium on continuity.

'Green shoots or white elephants?'

Perhaps Wood felt he had to quit so that he might join the list of external candidates vying for the new chief executive's job.

Cloning

■ For years Bill Gates' competitors have dreamt of the day he would wed. They hoped that marriage would distract the chairman of Microsoft, and the richest bachelor in the US, from his single-minded dedication to building the world's dominant computer software company.

Hence the stock market's reaction to the news that 37-year-old Gates is to marry one of his managers, Melinda French, 28, is puzzling, to say the least. Microsoft's shares might have been expected to fall sharply, while rival stocks outperformed. But Microsoft's shares have continued to climb since the announcement.

The only possible explanation is that the market fears that the merger will lead to the production of several Gates Juniors and that this will create even more problems for the industry.

Cartoon capers

■ A year after Punch folded, The Cartoonist comes into being. Although it is being launched on April 1, the fortnightly broadsheet newspaper is no joke.

Backed by the upmarket Coutts, with a handful of small shareholders, it will have an initial print-run of 100,000 and a cover price of £1.20. But says its publisher, John Sorrell: "If we achieve a settle-down figure of 40,000, we'll be very happy". He adds: "We think it is a perfect time to be launching. In a recession people are desperate for things to smile about."

But what happens when the recession ends?

Bowed out

■ Why has King's College, Cambridge, done a disappearing act with ballerina Lydia Lopokova, the one and only woman whose picture used to enliven its senior "combination" room's walls?

The official reason for the removal of the painting, by Duncan Grant, is "restoration". But dons suspect that the leaden hand of political correctness is to blame. Besides Lopokova, the picture showed a Peeping-Tom eyeing her gossamer-clad form from behind a screen – which female members of the college apparently deemed beyond the pale.

Never mind that the watcher was her husband, John Maynard Keynes. Better to have no women at all gracing the walls, than one being ogled by a male.

Mobbs' rule

■ A pertinent question from an impertinent analyst at yesterday's meeting with Slough Estates's management as it announced the second rights issue in two years.Why did Sir Nigel Mobbs, a descendant of one of the founding families, not consider following the example of Barclays, where he is a director, and split his dual role as chief executive and chairman?

Sir Nigel, currently one of the famous five knights looking for a new chief executive for the Bank, said the situation was very different – "Not the same at all."

Team work

■ How can you tell the Clintons are from Arkansas? Because together their names spell Hillbilly.

FINANCIAL TIMES
Friday March 26 1993

Who gives what in the aid stakes

Peter Norman on the trail of western assistance to the Russians

FINANCIAL support for Russia is back on the international economic agenda. It now seems likely that finance and foreign ministers from the Group of Seven leading industrial nations will meet in mid-April to discuss extra help for economic reform in Russia.

Such a meeting could prove difficult. As expectations of new financial support have been rising, so have doubts over the efficacy of such action. In G7 capitals, officials are trying to play down expectations of massive financial support and shift the debate to cheaper and possibly more effective micro-economic measures, such as help for small businesses and privatisation.

The issue of new assistance for Russia could also expose tensions among G7 nations if the question of a fair sharing of the west's burden emerges in the talks. The burden-sharing issue has cast a cloud over past G7 discussions on help for Russia and the other former Soviet republics. Germany, in particular, feels that it has had to carry too much of the cost. Officials in Bonn say Germany has provided DM80bn ($48bn) in cash and guarantees for credits for Russia since 1989. This, they claim, is more than half the western total.

One cause of misunderstanding is uncertainty about the scale of past and current western support for Russia. Institutions such as the European Commission and the International Monetary Fund publish figures, as do national governments. But they are difficult to reconcile with one another and provide only part of the picture.

The Commission, for example, has published detailed estimates of commitments by the EC, its member states, other countries and institutions since September 1990 to the republics of the former Soviet Union.

They show, for example, that the total commitments of the EC and its member states of Ecu52.4bn ($62bn) in the period amounted to 70.6 per cent of promised global assistance. Member states' contributions diverge widely with Germany providing 53.2 per cent against the UK's 0.63 per cent.

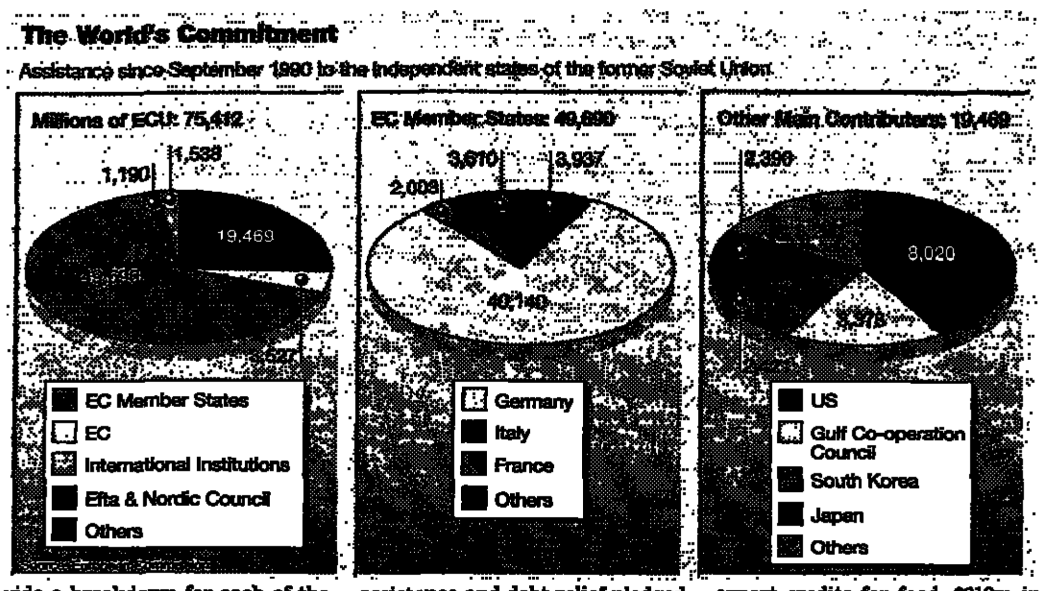
But the EC figures do not provide a breakdown for each of the former Soviet republics. Nor do they say how much has been disbursed or the scale of debt rescheduling or grants from private sources. The commission says the commitments may take several years to fulfil.

The IMF in Washington collates information from western donors and creditors and Russia itself and has disclosed some overall figures on disbursements. But it refuses to say what individual western member governments are doing for the former Soviet Union. Many governments are reluctant to disclose up-to-date figures, and still less to place them on a comparable basis with the efforts of others.

The Organisation for Economic Co-operation and Development in Paris has a mandate from its 24 industrialised member governments to record flows of concessionary assistance, other official finance and private capital flows to the former communist countries. Its figures for Russia may mark a breakthrough. But they are being produced only after a long delay. The OECD has almost completed its figures for flows to the former Soviet Union in 1991 and hopes to publish these soon, subject to agreement from member governments. The earliest estimated time of arrival for 1992 figures is mid-1993.

In this climate, it is hardly surprising that controversy surrounds $24bn of staged financial assistance and debt relief pledged at last year's G7 economic summit in Munich in support of President Boris Yeltsin's reforms and political leadership. In Russia, it is widely believed that funds pledged in Munich have not been forthcoming.

In fact, figures obtained from the IMF and several western governments this week suggest that the G7 has gone some way to meeting its Munich pledge – but not exactly in the way promised.



Bilateral assistance from G7 countries totalled about $12.2bn in 1992 – slightly more than the $11bn promised. Financial support from the IMF and World Bank amounted to $1.06bn, which was well below the $4.5bn pledged, reflecting Russia's inability to meet IMF conditions. A promised $6bn rouble stabilisation fund was not put in place because of adverse economic conditions in Russia.

However, the G7 countries were more generous than planned in providing debt relief. While the Munich package envisaged rescheduling of $2.5bn, overall debt relief last year was about $7.2bn, although most of this resulted from Russia failing to meet its obligations.

The role of individual G7 countries in the total $20.5bn of support is less clear. The US Treasury says it provided $2.1bn, $100m more than planned. Its contribution comprised $1.54bn of export credits for food, $218m in humanitarian assistance and $350m in export credits to enable Russia to buy US goods.

The German finance ministry says it has provided up to DM5bn of guarantees to enable Russia to buy German goods on credit. Britain's share of the $24bn package is obscure. The UK Treasury declined this week to specify the UK contribution. But it said Britain had provided £441m of assistance in the form of know-how, export credits and emergency animal feed supplies to Russia over the past two years as well as its share of EC and IMF support.

The true state of western support for Russia is unclear to experts who have been monitoring the flows for years. Mr Keith Savard, chief economist of the Washington-based Institute for International Finance, says he believes international financial institutions such as the IMF also have no precise idea of actual support for Russia because they rely partly on data supplied by Russia.

Mr Savard believes the IMF-based figures of disbursements to Russia from the 1992 G7 package are too high.

The uncertainty should be taken seriously by the G7, Mr Savard believes. "When considering what the G7 and others might do for Russia, we ought to know first what they have done," he says.

THE LEX COLUMN

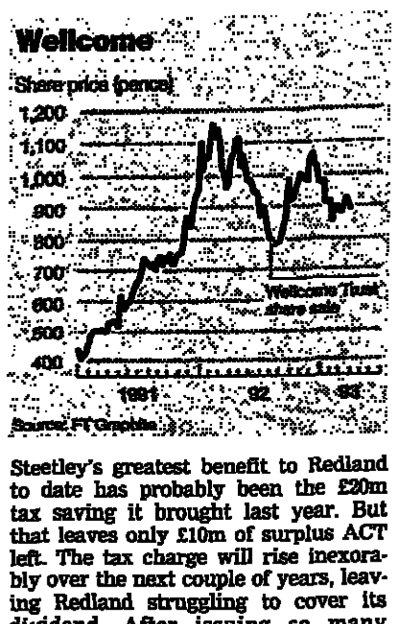
Wellcome down to earth

It seems uncharitable to slice 8 per cent from Wellcome's share price in response to a 33 per cent rise in pre-tax profits. But having smartly outperformed Glaxo for the last three months, Wellcome was already vulnerable. Stripping out currency movements from yesterday's interim figures shows it to be far from immune from tough market conditions. Volume growth of its two largest drugs, Zovirax and Retrovir, has slowed markedly. Drug prices fell in Europe as the German and other governments introduced stern regulations. There are signs that the steady margin improvement of recent years may not have much further to go.

Like Glaxo, Wellcome must also plan for the patent expiry of its biggest selling drug. Zovirax, like Glaxo's Zantac, may find a new lease of life as an over-the-counter medicine. Since Wellcome already sells cold remedies through chemists shops and supermarkets, it might be better placed than Glaxo to manage the transition. But developing an OTC version of Zovirax will require heavy marketing outlays. That would squeeze Wellcome's margins. An OTC business based on a small range of products would also be vulnerable to competition.

The odds on success in OTC medicines will certainly improve if Wellcome can agree a joint venture with a credible international partner. That might help justify the price-earnings premium to Glaxo remaining after yesterday's slide in the shares. But the magic ingredient supporting Wellcome since last summer's international share offering was not evident from yesterday's figures. It is hard to avoid the conclusion that either Glaxo has been over-sold or Wellcome has further to fall.

FT-SE Index: 2852.8 (-7.8)



Source: FT Graphite

Redland

The Budget changes to ACT were too little, too late for Redland. If the company could forget about tax it would have a reasonable story to tell. This year's profits will see the full benefit from devaluation. Germany is holding up well so far. There is tentative recovery in the UK. Whatever else happens in France, there is at least the promise of efficiency gains from rationalising Steetley's aggregates business there. Disposals already in the bag should help cash-flow, offsetting the lower income on Redland's reduced level of sterling deposits.

Sadly all this pales into insignificance compared with the tax problem. Steetley's greatest benefit to Redland to date has probably been the £20m tax saving it brought last year. But that leaves only £10m of surplus ACT left. The tax charge will rise inexorably over the next couple of years, leaving Redland struggling to cover its dividend. After issuing so many shares to pay for Steetley, it cannot get round this with a BAT-style scrip issue. Nor, for the same reason, can it cut its dividend, although it is arguably paying for over-distribution.

Redland thus looks stuck with a period of flat earnings and a dividend which would be vulnerable if building materials did get caught up in the German recession. A yield of 6.7 per cent (on the post-Budget basis) looks inadequate. With hindsight, peak dividend cover of 2.5 times was too low, but Redland will take years of restraint to return even to that level. Competitors like RMC will increase their payouts more rapidly.

UK dividends

Something of a rush seems to be developing to pay dividends before the lower tax credit comes into force on April 5. The dozen or so companies who are paying the final early in the form of a second interim are, though, engaging in little more than small beer tax avoidance. More disturbing is the example set by those like Rentokil and Unilever which are increasing dividends to compensate tax-free investors for the yield they have lost. Unilever's dual nationality gives it a particular excuse. Rentokil's increase may be an isolated act of bravado. Yet institutions are twisting arms behind the scenes, despite the chancellor's apparent desire to make tax-free investors pay some of the cost of boosting industry.

UK companies already pay a high proportion of earnings in dividends. One must not overstate Mr Lamont's objectives, but the aim of improving corporate cash flow will be lost if the savings from unrelieved ACT are simply paid out in higher dividends.

The reduced equity yields resulting from the tax changes may imply a fall in prices. But the market has already shed some 70 points since the Budget. Companies which give in to pressure to raise their payout when finances are weak will only have themselves to blame if they are short of working capital as the recovery gathers pace. Shareholders, too, might then come to regret their short-term greed.

Slough Estates

The market's benign response to Slough Estates' £147m rights issue is mystifying. Here is a property company with a distinctly patchy investment record tapping shareholders effectively to help redeem £181m worth of convertible bonds. Slough accepts there is precious little evidence of any improvement in the property market. Indeed rents and asset values are still falling.

There is some justification for the issue's appeal. Slough's new shares offer a secure yield of 6.75 per cent, while, further out, the company's strengthened balance sheet will give it greater headroom to invest and generate income growth. Slough's heavy weighting in the more resilient industrial property market gives it better prospects than those exposed to office property. Its international presence will also help.

Even so, the issue looks more like an opportunistic exercise in balance sheet repair. The danger is that similarly optimistic arguments may be trotted out by a string of other property companies. If so, they should also be treated with suspicion. Dividends may be safe at current levels but for most companies it will be years before they can justify any increase. The direct market will remain soggy as it soaks up surplus stock. Property shares have rebounded strongly from last autumn's slough of despond. Since September, the sector has outperformed the market by 35 per cent, Slough by 76 per cent. Such movements invite rights issues from any company that can concoct a half-way convincing story.

French conservatives try to curb president's power

Continued from Page 1

who has fiercely rejected calls to resign, has begun protecting his position.

A number of French newspapers yesterday published leaks from the president's staff of comments by him at the last socialist cabinet meeting on Wednesday.

He is reported to have said he would not allow the conservatives to "isolate me, lock me up in a rat-trap, or slit my throat in the dark" and to have warned that the return of the right would herald social chaos.

"When the suburbs go up in flames, you will see riot police hitting young people," he was quoted as saying.

Mr Mitterrand's staff, responding to Mr Chirac's demands for his resignation, have been stressing to the press that he might decide not to choose an RPR candidate as prime minister if such a campaign continues.

Although Mr Chirac has made it clear that he does not want to be the next premier, in case it jeopardises his chances in the 1995 presidential election, he is anxious that the prime minister should come from the RPR rather than the UDF, the other big conservative party.

Mr Valéry Giscard d'Estaing, the UDF leader who also hopes to be a presidential candidate in 1995, tried to strengthen his party's claims on the premiership.

He said on French radio that the choice of prime minister had "never been mathematical" and that there were "several figures in the UDF" would be suitable candidates.

Mr Edouard Balladur, who was finance minister in the last *cohabitation* government and is believed to be Mr Chirac's choice as premier, sought to lower the political temperature, saying in a speech at Mans that an "adult tone should prevail in French politics".

'Farewell to the left. France returns', says a Paris poster as the country prepares for the second round of legislative elections. A centre-right coalition is expected to sweep into the national assembly

US Senate broadly backs budget cut

By Jurek Martin in Washington

THE US Senate yesterday handed President Bill Clinton another substantial political victory when it approved the broad outlines of his plan to cut the federal budget deficit by $500bn over the next five years.

The critical vote on the $1,500bn budget resolution bill for fiscal 1994 was 54-45. Only two Democrats broke ranks with the president - Senator Richard Shelby, a conservative from Alabama, and Senator Bob Krueger of Texas, an interim senator fighting for full-time election from the state in May. Another Democrat, Senator Daniel Inouye from Hawaii, was out of town and did not vote.

There are a few minor differences between the Senate bill and that which passed the House with ease last week. These must be reconciled by a conference committee of the two chambers. The Senate then moved on to debate Mr Clinton's $16bn short term stimulus plan amid predictions that it would be harder to keep the Democrats in line.

The passage by both houses of the deficit reduction plan is an indispensable first step in the budgetary process. Although the hard programme-by-programme spending cuts and tax-by-tax revenue increases have yet to be addressed, defeat for the president in the initial stage of legislative process would have severely undermined his authority.

His victory shows his political clout and the loyalty of his party. In a TV interview on Wednesday night, Mr Clinton was confident he would carry the day. He also argued strongly in favour of the stimulus plan. The public, he said, would be "outraged" if the opportunity to create an extra 500,000 new jobs was passed up.

The Senate, by a 73-24 margin, also gave Mr Clinton the "line item veto", which would enable him to overrule individual spending and tax allocations without sacrificing a whole bill.

Though this was granted only in the form of a non-binding resolution, without immediate practical effect, it is a test of Senate sentiment on the issue. Former President George Bush could never persuade the Democratic majority to grant him the veto.

Throughout the week, the Democratic leadership in the Senate has resisted all attempts substantially to change Mr Clinton's proposed package. The toughest challenge was overcome with the defeat of a Republican amendment to prevent the administration from increasing taxes on wealthier pensioners.

Mr Alan Greenspan, chairman of the Federal Reserve Board and generally supportive of the president's approach, told Congress yesterday he thought the decline in long-term interest rates partly reflected the bond market's "expectation that the Clinton administration's economic plan will lower the deficit."

World Weather

		°C	°F
Ajaccio	S	14	57
Algiers	Dr	13	55
Amsterdam	C	7	45
Athens	S	13	55
Bahrain	S	21	70
Bangkok	F	33	91
Barcelona	F	14	57
Beijing	S	17	63
Beirut	S	19	66
Belfast	S	9	48
Belgrade	R	6	43
Berlin	F	3	37
Bermuda	S	21	70
Bombay	C	29	84
Bordeaux	S	11	52

		°C	°F
Boulogne	F	8	46
Brussels	F	7	45
Budapest	S	8	46
Buenos Aires	F	30	86
Cairo	S	23	73
Cape Town	F	28	82
Caracas	C	32	90
Casablanca †	C	17	63
Chicago †	Fg	3	37
Cologne	F	5	41
Copenhagen	F	6	43
Corfu	C	13	55
Dallas †	S	18	64
Dublin	S	11	52
Dubrovnik	C	14	57
Edinburgh	S	8	46
Faro	S	19	66
Florence	R	5	41

		°C	°F
Frankfurt	C	7	45
Geneva	F	7	45
Gibraltar	F	18	64
Glasgow	S	8	46
Helsinki	C	3	37
Hong Kong	C	26	79
Innsbruck	Sn	1	34
Inverness	S	7	45
Islamabad	F	19	66
Istanbul	S	16	61
Jakarta		-	-
Johannesburg	F	24	75
Lisbon	S	15	59
London	C	8	46
Los Angeles †	C	14	57
Luxembourg	C	6	43
Madeira	C	17	63
Madrid	S	11	52

		°C	°F
Majorca	Dr	14	57
Malaga	T	12	54
Malta	S	21	70
Manila	F	33	91
Melbourne		-	-
Mexico City	C	25	77
Miami †	F	23	73
Milan	R	6	43
Montreal †	S	-4	25
Moscow	Sn	2	36
Munich	F	3	37
Nairobi		-	-
Naples	C	17	63
Nassau	C	27	80
New Delhi	F	23	73
New York †	C	3	37
Nice	R	9	48
Nicosia	S	23	73

		°C	°F
Oporto	S	15	59
Oslo	F	8	46
Paris	F	8	46
Prague	F	6	43
Reykjavik	R	6	43
Rhodes	S	17	63
Rio de Janeiro	C	38	100
Rome	C	14	57
Salzburg	F	4	39
S'Francisco †	C	10	50
Seoul	C	10	50
Singapore	F	31	88
Stockholm	S	5	41
Strasbourg	C	9	48
Sydney	F	24	75
Taipei	C	32	90
Tangier	C	17	63
Tel Aviv	S	24	75

		°C	°F
Tenerife	S	20	68
Tokyo	S	18	64
Toronto †	C	-1	30
Tunis	R	17	63
Valencia	F	13	55
Venice	R	7	45
Vienna	F	7	45
Warsaw	C	5	41
Washington †	C	6	43
Zurich	S	5	41

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Reichmann recruits former O&Y staff

Mr Paul Reichmann (left) has recruited several former Olympia & York employees to help him rebuild his reputation in the international property business. Mr Reichmann's restructured O&Y emerged from bankruptcy protection earlier this month under the effective control of its creditors and the management of an administrator. Mr Reichmann has signalled his ambition to play on a bigger field by setting up Reichmann International. Page 19

Turkey and Taiwan take the fore

The best performing emerging markets in February were Turkey and Taiwan, as interest shifted away from Latin America. Technical factors accompanied Turkey's new mood of optimism as the government cut short-term interest rates, thereby triggering a demand for equities. Venezuela leads this year's laggards. First Boston notes that the market has been volatile pending December's presidential elections. Back Page

Hope for Cretan bananas

There has been a rapid decline in banana growing in Crete ever since the Greek government was forced to lift a ban on imports four years ago. Production has dropped from more than 20,000 tonnes a year in the mid-1980s to about 5,000 tonnes last year. However, the European Community's decision to impose quotas on Latin and Central American bananas, offers Cretan growers a chance of recovering lost markets. Page 36

Out of tune with a musicmaker

The downfall of Mr Hiroshi Kawakami, the ex-president of Yamaha, the world's largest musical instruments maker, has been swift. Page 20

Brewing activity comes to a head

There has been a flurry of activity from US brewers recently – for example, Anheuser-Busch's stake in Mexico's leading beer producer – as they find their home market flattening. Page 19

APV gives first-half warning

APV, the UK food processing equipment specialist, announced a fall in profits and warned that pressure on prices would affect its results for this year's first half. Pre-tax profits fell from £26.7m to £21.1m ($31.2m) in the year to December 31, depressed by an exceptional charge. Page 23

John Laing bounces back

In spite of a £21.4m ($31.6m) provision and poor trading conditions in the UK housing and construction markets, John Laing bounced back into the black last year. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Daimler-Benz	618	+	10.5	Air Liquide	784	+	15
Lahmeyer	660	+	15	Bouygues	710	+	20
Mercedes	475	+	14.5	Imm de France	883	+	40
Falls				Peugeot	669	+	24
Colonia Vorzu	940	–	20	**Falls**			
Heidelb Zem	1010	–	50	Coparex	550	–	20
Springer Axel	595	–	17	Roussel-Uclaf	551	–	24

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Campbell Soup	43¾	+	¾	Fujikura	760	+	82
Digital Equip	43⅝	+	1½	Furukawa Elec	607	+	100
Getty Petroleum	12	+	1⅜	Hitachi Elec	1570	+	200
Oracle System	37⅞	+	1⅝	**Falls**			
Falls				Kanto Auto	502	–	27
Gen Motors	38¼	–	⅝	Meisei Elec	300	–	20
IBM	50⅝	–	¾	Showa Chemical	480	–	20

New York prices at 12.30.

LONDON (Pence)							
Rises				Booker	410	–	29
Alphameric	37	+	7½	Canning (W)	130	–	11
BNB Resources	75	+	8	CarnaudMetalbox	2713	–	162
Corporate Svcs	13¾	+	2	Dalepak Fds	201	–	63
Hartstone	133	+	6	Domino Print	552	–	44
National Power	336	+	12	Hambros	332	–	19
Platignum	45	+	5	MFI Furniture	128	–	8
Porvair	210	+	12	Refuge	1048	–	55
PowerGen	342	+	16	Steel Burrill	250	–	11
Ratners	19	+	2	Thorpe (FW)	105	–	5
Waco	87	+	8	Wellcome	878	–	72
Falls				Yorks-Tyne TV	140	–	9
APV	101	–	11				
Blenheim	573	–	29				

Sandoz sets pace in Swiss drugs sector

By Ian Rodger in Zurich

SANDOZ, the first of the three large Basle-based chemical and pharmaceutical groups to report 1992 results, has set a high standard for Ciba-Geigy and Roche to match.

Consolidated net income rose 34 per cent to SFr1.49bn ($99.3m) on sales up 8 per cent to SFr14.4bn.

However, about half of the profit increase was attributable to the first-time application of international accounting standards (IAS), the main effect of which was to extend depreciation schedules.

On a strictly comparable basis with the previous year, net profit was up 17 per cent to SFr1.3bn.

The directors showed their confidence that the sharply higher level of earnings could be maintained by recommending that the annual dividend be raised by 34 per cent to SFr47 per share or participation certificate.

Cashflow was up 19 per cent to SFr2.37bn and the net return on sales rose to 10.4 per cent from 8.3 per cent.

Pharmaceuticals account for just under half of group sales, and significantly more of its profits. The group's portfolio is led by Sandimmun, a drug widely used for suppressing the body's immune system reactions to transplanted organs.

Investments in fixed assets fell 6 per cent to SFr1.19bn, but spending on research and development was up 13 per cent to SFr1.49bn or 10.4 per cent of consolidated sales.

Sandoz said that Mr Marc Moret, the shy but autocratic chairman who has dominated the group for more than a decade, would stand down as president of the executive board. Mr Moret, 69, will remain chairman and will still be chief executive officer "for a certain period".

The new president of the executive board and chief operating officer will be Mr Daniel Wagnière, now chief executive of the group's US subsidiary and a Sandoz employee since 1965.

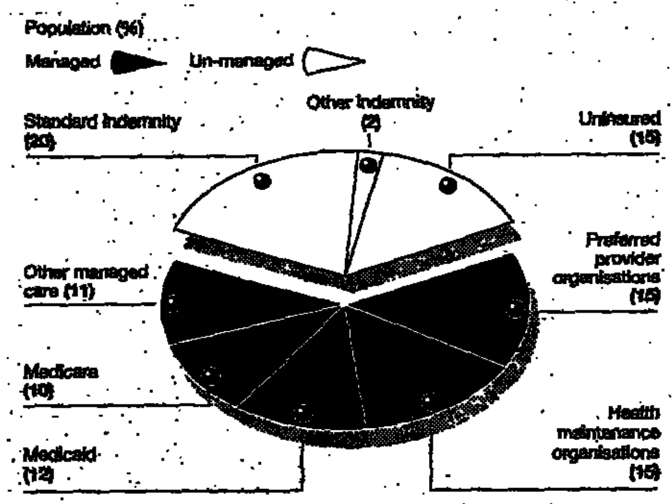
Along with the executive changes, Sandoz is regrouping its businesses into two divisions; life sciences, and chemicals and environment. Mr Urs Bärlocher, head of Sandoz Nutrition, will lead the life sciences division, comprising the pharmaceutical, seeds and nutrition businesses.

Mr Rolf Schweizer, vice-president of the executive board, will head the chemicals and environment division.

Paul Abrahams analyses changes in healthcare which hurt US drugs groups

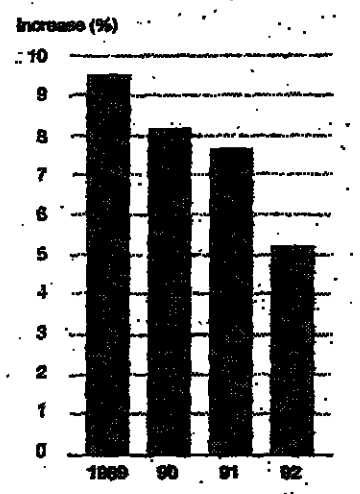
Merck warning signals end to age of luxury

US healthcare coverage



Source: NatWest Securities

US drug price increases



Source: Bureau of Labor Statistics

FOR the first time, pharmaceutical groups operating in the US are feeling the effects of price competition. The extent of the change from the 1980s, when drugs companies could increase earnings merely by raising prices, was forcefully underlined this week as Merck & Co, the world's largest pharmaceuticals company, announced a profits warning.

The group, regularly voted the best-managed in America, blamed its slowing growth on the increasingly turbulent competitive environment in the US. Healthcare cost-containment measures in other countries and adverse currency movements were also cited.

The market has become accustomed to weaker groups such as Eli Lilly and Marion Merrell Dow forecasting slowing growth, but not companies of Merck's quality. "You don't expect the Mercks to blow up," commented Mr Ronald Nordmann, drugs analyst at PaineWebber in New York.

Merck, like other companies, has been hit by the growing power of the US-managed healthcare market to control prices. The proportion of medicines influenced by managed healthcare has increased from about 15 per cent of the market five years ago to about 50 per cent, according to Mr Hemant Shah, pharmaceutical analyst at HKS & Co in New York.

Managed health providers, which include private health maintenance organisations (HMOs) and preferred provider organisations (PPOs), as well as government schemes such as Medicaid for the poor and Medicare for the old, are anxious to keep down their drug bills. This means they are increasingly choosing medicines not only for the traditional reasons of a drug's safety and efficacy but also its price.

"Not only are drugs prices not rising as fast as they were – during the 1980s they rose on average 9 per cent a year – but some are actually falling," says Mr Duncan Moore, analyst at Morgan Stanley in London.

The experience of SmithKline Beecham, which endured a 1.6 per cent reduction in US prices last year, could become increasingly common, he explains.

In therapeutic areas with many medicines in the same class – such as antibiotics, ace-inhibitors

Manufacturers whose prices are too high risk exclusion from the lists of medicines doctors prescribe

(a type of heart treatment), cholesterol-lowering drugs and gastro-intestinal drugs – managed healthcare groups have been able to trade one drug off against another in an effort to drive down prices.

Drugs manufacturers have been forced to compete by offering larger and larger discounts to the managed healthcare sector. Those whose prices are too high and refuse to offer sufficient discounts risk finding themselves excluded from managed healthcare formularies – the lists of medicines doctors are allowed to prescribe.

The drugs groups have exacerbated the situation by launching new products that can only be differentiated by price. Sales growth of Merck's cholesterol-lowering drugs Zocor and Mevacor has been hit by the aggressive pricing of Bristol-Myers Squibb's recently-launched Pravachol. Merck announced temporary price cuts for its cholesterol products this month.

Similarly, the growth of the $1.7bn ace-inhibitor market has slowed significantly because of price competition between Warner Lambert's new drug Accupril, and established medicines Vasotec, from Merck, and Bristol-Myers Squibb's Capoten, according Mr Moore at Morgan Stanley. The latter were the world's second and third best-selling drugs in 1991.

The problem for the industry and Merck is that price competition is set to worsen. A number of significant drugs lose their patent protection over the next two years. Admittedly, none of Merck's drugs are directly affected by patent expiry. But the introduction of cheap generic medicines in areas where Merck has relatively expensive patented products will hit sales.

Next year, for example, sales of Merck's anti-ulcer drug Pepcid and Glaxo's Zantac are likely to

'The pressure imposed by a government controlling 65 per cent of the market could be intense'

suffer as managed healthcare groups switch to cheap generic versions of SmithKline Beecham's Tagamet. In 1995, sales of Merck's ace-inhibitor Vasotec could also be affected when Bristol-Myers Squibb's Capoten patents expire.

Merck hopes the profits warning and increased price competition will help convince the Clinton administration that market forces are working in the drug industry.

However, Mr Shah believes additional pricing pressure is likely to be created through a vast extension in the purchasing power of the government. The government already accounts for about 15 per cent of the drugs market through its Medicaid programme.

After the reforms, the government could also cover the costs of retired people's drugs, equivalent to 35 per cent of the market, and those of 37m presently uninsured, representing about 15 per cent of the market. "The pricing pressure imposed by a government controlling 65 per cent of the market could be intense," warns Mr Shah.

Confronted by static and even falling prices, pharmaceutical groups are faced with the prospect of falling operating margins. Merck announced its first job-reduction programme this week.

Weaker drugs companies that have not already announced such measures are bound to follow with plans to rationalise manufacturing, marketing, and even research and development. If these measures are insufficient, they may be forced to participate in another wave of mergers.

CGIP in talks on packaging stake

By Alice Rawsthorn in Paris

CGIP, the French holding company, yesterday confirmed that it is in negotiations as part of a consortium of investors to acquire a 25.3 per cent stake in CarnaudMetalbox, the packaging company, from MB-Caradon, the UK building products group.

MB-Caradon announced last month that it planned to sell its 25.3 per cent stake in CarnaudMetalbox.

The stake, which dates back to the merger of Metalbox Packaging and Carnaud in 1989, earns a poor return for MB-Caradon, bringing in a dividend of £7.8m ($11m) in 1991.

CGIP, also a 25.3 per cent shareholder in the packaging company, has rights of first refusal over the MB-Caradon shares.

The MB-Caradon stake, worth around FFr4.8bn ($850m) at the current market price, would be too expensive for CGIP to buy intact, given that the latter only has FFr700m of cash in its balance sheet.

CGIP is also constrained by a recent ruling by the French stock market authorities that it must mount a full bid for CarnaudMetalbox if it raised its current holding by more than 7 per cent.

CGIP said yesterday that it planned to bid for the stake together with "a number of other investors".

It confirmed that those investors included Mr Albert Frère and Mr Paul Desmarais, two businessmen.

However CGIP declined to comment on a report that Banque Nationale de Paris and Crédit Lyonnais, the state-controlled banks, were also involved in its bid.

CGIP also refused to verify La Tribune's report that it planned to offer FFr190 a share, which would value the MB-Caradon stake at FFr3.9bn.

This compares with CarnaudMetalbox's current share price, which closed down FFr15 at FFr221 yesterday.

CGIP said it was still in negotiations with MB-Caradon and had not yet finalised its offer.

A number of other companies have already expressed an interest in the stake including Péchiney, the French state-controlled aluminium group which is an important force in packaging.

Péchiney has said it would be prepared to buy shares in CarnaudMetalbox to prevent a competitor investing in the company.

Hermès proposes flotation on Second Market in Paris

By Alice Rawsthorn in Paris

HERMES, one of France's most famous luxury goods groups, plans to go public this summer by floating part of its equity on the Second Market in Paris.

The flotation, details of which will be announced in Paris next week, will mark the end of a tradition of private ownership for Hermès, which has been controlled by the Hermès family since 1837 when Mr Thierry Hermès set up a workshop to make horse harnesses in Paris.

However, the founding family, which owns just under 90 per cent of the equity, is expected to retain control after the flotation.

Companies need only release a minimum of 10 per cent of their equity to join the Second Market.

Hermès, best known for its silk scarves and leather products, has recently been revitalised under the chairmanship of Mr Jean-Louis Dumas, the fifth generation of the Hermès family to run the family company.

The group's sales rose five-fold during the 1980s to peak at FFr2.56bn ($457m) in 1989.

Mr Dumas has pursued a strategy of aggressive international expansion, combined with scrupulous quality control.

Hermès operates at the top of the luxury goods market.

Its famous Kelly bags, named after Princess Grace of Monaco, take 20 hours to make by hand and cost at least FFr14,500.

Hermès is going public at a sensitive time for the luxury goods industry, now under intense pressure because of the global recession. So far, Hermès has been more resilient than other luxury groups. However, sales have fallen slightly since their 1989 peak to around FFr2.4bn (it does not disclose profits) for the past three years.

Barclays loses finance director

By John Gapper, Banking Correspondent

MR PETER WOOD, finance director of Barclays Bank, is to leave the UK bank and join Standard Chartered, Barclays said yesterday. The announcement came the day after Barclays had disclosed it intended to appoint a chief executive from outside.

Mr Wood, 50, who would have been a contender to take over as chief executive of Barclays if it had wanted an internal appointment, made no comment on the reason for his departure. Both banks said he had been talking to Standard since January.

Barclays appointed Mr Oliver Stocken, finance director of its BZW investment banking division, to succeed Mr Wood from May 1. Mr Andrew Buxton, Barclays' chairman and chief executive, said the bank was "sorry to lose" Mr Wood.

Mr Wood will succeed Mr Richard Stein, who is retiring as a director from June 30. Mr Rodney Galpin, Standard chairman, welcomed Mr Wood's "wide and varied experience in one of the world's leading banking groups".

Barclays emphasised yesterday that talks about Mr Wood's appointment had predated its announcement on Wednesday that it will undertake a worldwide search for someone to take on Mr Buxton's role as chief executive while he remains chairman.

Mr Wood's approach to Standard came after Mr Buxton disclosed that he intended to split his two roles, and might seek a chief executive from outside. Some institutional shareholders had pressed for a division of the roles.

"I would like to do it as quickly as we can, but it is not going to be that easy. There are not that many candidates," says Sir Denys Henderson, the non-executive director of Barclays Bank who is leading the effort to find a new chief executive.

Sir Denys says the bank has "some very competent" people at the top. But the decision to look outside sends a signal to the heads of Barclays' three divisions. These are the huge banking division, which has £98bn ($145bn) of the bank's £149bn assets, the BZW investment bank, and service businesses.

Other internal contenders to become chief executive would have been Mr Alastair Robinson, head of the banking division, Mr David Band, head of its BZW investment bank.

Sir Denys believes the successful candidate will probably come from a bank or a financial services company. "If some genius appears who had done a good job elsewhere, and could cope with the change of industry, then we would consider him," he said.

Appointing someone from a competitor would carry a serious risk of offending the remaining senior managers. That might make it tempting to bring in the senior manager of a large US bank that has already recovered from similar difficulties with property-related lending.

Barclays' ordinary shares closed 1p down at 414p, and Standard's fell 3p to 710p

BMW escapes worst of downturn in motor sector

By David Waller in Munich

BMW is escaping the worst of the downturn afflicting the German motor industry, Mr Eberhard von Kuenheim, the group's chief executive said yesterday.

Mr von Kuenheim, who later this year will take over as chairman of BMW's supervisory board after 24 years as chief executive, said the group made an operating profit in the first three months of the year – in stark contrast to other German car manufacturers which have plunged into operating losses.

Whilst both sales and production dropped over the three months, Mr von Kuenheim said that the drop was significantly less than that of the German market overall, where car registrations were likely to fall by 25 per cent over the year.

BMW's turnover was down by 6.4 per cent to DM7.3bn ($4.6bn) in the first quarter compared to the same period last year and car production slipped by 4.9 per cent to 150,500 units. Car deliveries fell 5.7 per cent to 133,000.

Last week, BMW reported that net profits for last year fell to DM726m from DM783m, although turnover climbed almost 5 per cent to DM31.2bn.

BMW said that currency movements had been the chief factor behind the downturn: the appreciation of the D-Mark in the latter months of last year had shaved DM200m to DM300m from operating profits. These were down to DM1.48bn last year from DM1.75bn in 1991.

The BMW group delivered a record 594,895 cars last year, 42,235 more than in 1991. The US saw sharp growth where deliveries rose by more than 20 per cent to 66,000. BMW said yesterday that it expected US sales to increase by at least 10,000 cars this year.

Mr von Kuenheim said that BMW had no intention to seek a listing for its shares on the New York Stock Exchange, in spite of Daimler-Benz's announcement earlier this week that it was hoping to list its shares on Wall Street by the end of the year. Mr von Kuenheim said that US accounting disclosure requirements were too onerous.

Swiss carrier halves dividends

By Ian Rodger in Zurich

SWISSAIR, the Swiss national airline, said it would halve the dividends on its shares and dividend right certificates following unsatisfactory 1992 results.

While group net profits rose more than one-third to SFr113m ($75.3m), the gain was mainly due to sales of aircraft and profits from ancillary activities. For the third consecutive year, flight operations were in loss.

Group revenues rose 4.7 per cent to SFr6.4bn. Traffic volume increased 9.1 per cent to 2.7bn revenue tonne kilometres, but because of a severe erosion of fares throughout the world, the parent airline company's revenues were up only 2.7 per cent to SFr5.5bn.

The airline's net profit, including proceeds from aircraft sales, fell 54 per cent to SFr20.8m. The directors proposed dividends of SFr10 per share on the shares and SFr2 per certificate.

● Leu Holding, the private banking subsidiary within the financial group built around Credit Suisse, said its consolidated net profit rose 14 per cent last year to SFr104m.

The directors have proposed an increase in dividends from SFr13 per share to SFr14 and forecast further profit improvement this year.

Total assets at the end of 1992 stood at SFr17.2bn, up 3 per cent from a year earlier.

Wellcome stock slide on results

By Paul Abrahams in London

SHARES in Wellcome, the UK drugs group, fell 72p to 818p after the company posted disappointing underlying growth for the first six months.

Pre-tax profits for the half-year to February 27 were at the top end of expectations, up 33 per cent from a restated £204.7m ($302m) to £324.6m.

Excluding currencies, the increase was 14 per cent. At the time of the Wellcome share issue last year, analysts had been predicting annual profits growth of about 20 per cent. Mr John Robb, chief executive, said: "I think the figures are pretty damned good given the environment has changed considerably over the last 12 months. The market's reaction shows how volatile and nervous it is to drugs stocks."

"These are not easy times, with countries such as Germany, Italy, Spain and, to a lesser extent, the UK taking extreme measures against the pharmaceutical industry in an effort to control healthcare costs," he said. European prices had declined since the same period last year and sales had been affected by health reforms in Germany.

Turnover from continuing operations increased 22 per cent from £839m to £1.03bn. Excluding currencies the rise was 11 per cent. For prescription medicines the increase was 13 per cent, while the over-the-counter (OTC) non-prescription division declined 3 per cent.

Lack of growth in OTC business had partly been caused by 32 per cent growth the previous year, and partly by the low incidence this winter of coughs and colds, an area where Wellcome is particularly exposed, said Mr Robb. He said competition in the US had been fierce.

Sales at Bertlesmann climb 6.9% in first half

By Ariane Genillard in Bonn

SALES at Bertelsmann, the world's second-largest publishing and media concern, rose by 6.9 per cent to DM8.8bn ($5.3bn) in the first six months of the current fiscal year.

Domestic sales for the six months ending December 31 1992 increased by 11 per cent, totalling DM3.4bn. International sales rose by 4.5 per cent to DM5.4bn. The group's total sales for the whole business year stood at DM16bn.

The group said it was "confidently facing the rest of the business year". It expects to pay another DM15 dividend on its profit-sharing certificates when distributable profits are disbursed in November.

Sales for the six months particularly increased at Bertelsmann music group, up 12.1 per cent to DM2.4bn and in the group Gruner & Jahr's publishing division, where a 8.9 per cent rise brought them to DM1.9bn.

Sales in the international book and record clubs division improved by 4.1 per cent, to total DM1.7bn. Book sales in Switzerland, Austria and Germany rose by 21.5 per cent to DM999m.

Redland shares tumble on tax charge fears

By Andrew Taylor, Construction Correspondent

FEARS that UK tax charges will rise sharply over the next two years sent Redland's share price tumbling 4 per cent yesterday in spite of the announcement by the British building materials group of a 19 per cent pre-tax profits rise last year.

The share price of the world's biggest roof tile manufacturer fell 21p to 467p over concern that the company will generate insufficient UK profits this year and next year to offset against advance corporation tax (ACT) payments.

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Low first pay-out for Italian bank

By Haig Simonian in Milan

ISTITUTO Bancario San Paolo di Torino, Italy's biggest banking group in terms of assets, closed its first year as a listed company with a L300-a-share dividend, appreciably below some forecasts made at the time of the flotation.

Although the bank had indicated a dividend of up to L400 a share, some analysts had set their sights even higher. The eventual pay-out reflects the effects of unexpected tax increases, which cut earnings by around L35bn ($22m) at parent bank level, and heavier loan loss provisions owing to the recession.

The impact of tax and credit problems stood out at group level, where net profits after minority interests fell by about 7 per cent to L502bn from a pro forma L553bn in 1991. Provisions amounted to L647bn, while write-downs on securities and shareholdings reached L224bn. Overall group pre-tax income rose 8 per cent to L1,232bn.

Net profits for the parent bank increased by 2 per cent to L390bn, while pre-tax earnings jumped by 17 per cent to L779bn, in spite of loan loss provisions of L520bn and write downs on securities of L120bn.

Group deposits climbed by 12.4 per cent to L170,500bn, while direct lending to clients went up to L89,755bn. The effect of recession was made clear in the rise in non-performing loans to 3.38 per cent of the total loan book from 2.84 per cent in 1991.

● Credito Italiano, one of the prime candidates on Italy's privatisation list, suffered a steep fall in net profits to L208bn from L289bn in 1991. Group net earnings dropped to L202.2bn from L297bn.

The falls, reflecting sharply lower earnings at most Italian banks last year, were particularly marked in the case of Credito Italiano, the country's sixth-biggest financial institution, on account of its prominent role in securities.

Rising interest rates in the later months of 1992 triggered steep falls in government bond prices, leading to expectations – now realised – of heavy write-downs on many banks' securities portfolios.

Credito Italiano wrote down L243bn on its securities holdings – the largest figure reported by any bank in the current results season. However, the dividend is being maintained at L85 for ordinary shares and L100 for savings stock.

The bank escaped relatively lightly on loan losses, which have risen sharply elsewhere. The proportion of non-performing loans in Credito Italiano's total portfolio rose to 2.01 per cent from 1.99 per cent in 1991.

Gross operating profits, which rose 16.5 per cent to L1,123bn, were helped by a 19.1 per cent surge in the bank's interest margin to L2,388bn.

Aerospatiale posts FFr2.3bn loss

By William Dawkins in Paris

AEROSPATIALE, the French aircraft and missile making group, yesterday provided the latest evidence of the recession in the world aerospace industry by revealing a FFr2.38bn ($432m) net loss for last year.

This is significantly higher than the loss of up to FFr2bn the group was forecasting only earlier this month, and reflects heavy restructuring costs in its aeroplane and helicopter divisions. It compares with a FFr213m net profit in 1991.

Aerospatiale said results would be better this year, and attributed the 1992 setback to airlines having to cancel or delay aircraft orders "under the weight of uncontrolled deregulation and a sluggish global economy". Shrinking military budgets hit defence orders, helicopter sales were affected by a decline in industrial demand and the overall aerospace business climate was worsened by a trade war initiated by the US, said the French group.

Aerospatiale's sales climbed from FFr48.6bn to FFr52.3bn, representing a rise of just 1.7 per cent on a fully comparable basis, on new orders stagnant at FFr39bn.

Aircraft sales rose by 2.5 per cent, while helicopter sales fell by nearly 12 per cent and space and defence rose by 14.8 per cent. Aircraft represented 42 per cent of turnover last year, helicopters 22 per cent, space 18 per cent and missiles just over 10 per cent.

The group maintained and in some cases increased its market share, but its workload was not enough to keep Aerospatiale's plant running at planned levels.

Accordingly, the group was obliged to lose 1,145 jobs last year and 500 more at Eurocopter, its helicopter unit, formed in 1991 through a merger with the helicopter business of MBB, the German aerospace group.

This led to a FFr1bn extraordinary charge – which covers all the job losses – as against a FFr1bn one-off capital in the 1991 net profits, a consequence of the creation of Eurocopter.

The outlook was gloomy in the short-term due to the fragile financial health of airline customers, but Aerospatiale said most of its markets would grow in the longer term.

VNU hit by provision on printing unit

By Ronald van de Krol in Amsterdam

VNU, the Dutch publisher, said a large provision needed for its printing division caused 1992 net profit to tumble by nearly 60 per cent to Fl47.9m ($26.2m).

The company, which is engaged in talks on trying to sell part of its printing operations, said it planned to maintain its dividend at Fl3.60 because the Fl80m printing provision was a one-off item and also because most of its businesses saw improved performances last year.

If it had not been for the provision, VNU's net profit would have risen by just under 10 per cent to Fl127.9m.

VNU, which released its figures after the close of bourse trading, said the value of its printing operations had had to be "substantially adjusted" to reflect changed prospects.

It cited in particular the series of currency devaluations elsewhere in Europe which have affected export markets.

Operating profit rose by 18.2 per cent to Fl241.2m, on turnover that was steady at Fl2.74bn.

VNU attributed the profit rise to reorganisations and cost-cutting measures as well as to lower paper prices and profits contributed by acquisitions.

Earnings rise at Belgian retailer

By Andrew Hill in Brussels

GIB Group, one of Belgium's two largest retailers, pushed up sales by 5 per cent in the year to January 31 1993, and increased consolidated profit before tax by 10 per cent to BFr4.18bn ($124m) from BFr3.79bn

The group's share of consolidated net profits slipped 3 per cent to BFr3.25bn from BFr3.35bn, partly because GIB had to provide BFr258m for deferred taxes, to bring the group in line with new accounting rules.

Consolidated turnover last year rose to BFr228bn from BFr217bn and all four sectors of the group's activity – supermarkets, do-it-yourself, fast-food and speciality retailing – showed an increase in sales. Super and hypermarket sales, which account for 61 per cent of the group total, rose by 2 per cent. Cash flow rose 15 per cent to BFr8.9bn.

The group expects to announce detailed results and dividends in May.

It also plans to spend BFr6.9bn this year on expansion and modernisation of its stores in all four sectors.

The group has also made BFr161m provisions in its 1992 accounts against its 65 per cent shareholding in A-OK which has a minority shareholding in Spirit Holding Company, parent of a 39-store DIY retail chain in the US.

Merrill Lynch alters structure of top management

By Martin Dickson in New York

MERRILL LYNCH, the largest US securities firm, has shuffled its top management structure, creating an office of the chairman, to focus on developing client relationships, and an office of the chief executive, to run the company on a day-to-day basis.

However, the shake-up has left unclear the answer to one of the more intriguing personnel questions on Wall Street – who is likely to succeed Mr Daniel Tully as president and chief executive of the group?

Mr Tully is due to become Merrill's chairman in June on the retirement of Mr William Schreyer, chairman since 1985.

The restructuring, Merrill's third in three years, comes at a time of intensifying competition in broking – demonstrated by the recent merger agreement between rivals Smith, Barney and Shearson – and investment banking, an area where Merrill has big ambitions.

Mr Tully said the new structure was the "next logical step in Merrill's strategic evolution over the past two decades from a sales-oriented organisation to a marketing-oriented, client-focused financial management and advisory company".

The office of the chairman includes Messrs Schreyer and Tully along with Mr Stephen Hammerman, vice-chairman, and Mr John Heimann, chairman of global financial institutions.

It involves two other men who have been given new titles: Mr Barry Friedberg, head of the investment banking group since 1985, becomes chairman, investment banking.

Mr Thomas Patrick, previously executive vice-president, equity markets group, becomes chairman, special advisory services, in charge of liaising with clients on new product ideas.

The executive office includes Mr Tully, Mr Hammerman, and Mr John Steffens, executive vice-president for the private client group, along with two other men given new titles: Mr Herbert Allison becomes executive vice-president for investment banking and Mr David Komansky becomes executive vice-president for both the debt and equities markets groups.

Swedish property group slumps to SKr1.22bn loss

By Christopher Brown-Humes in Stockholm

NCC, the Swedish property and construction group, slumped to a SKr1.22bn ($157m) loss in 1992 after property write-downs of SKr1.4bn.

The group was also hit by SKr417m in losses from associate companies, including the stainless steel group Avesta Sheffield and the shipping company Effjohn. It is scrapping its dividend after paying out SKr2 per share in 1991, when its loss was SKr122m.

NCC said its result before property write-downs and excluding associate companies improved to SKr587m from SKr430m despite weak construction markets and falling rent levels. Its rationalisation programme, which has cut 4,300 jobs, had started to yield results, with overheads down by more than SKr500m.

The construction division improved profits to SKr811m from SKr742m, while real estate operations returned a SKr88m profit before write-downs, against a SKr25m loss in 1991. The international division recorded a reduced loss of SKr20m, compared with SKr128m.

NCC has written down its property portfolio by SKr1.8bn in the past two years. The latest write-down was bigger than its forecast of SKr700m-SKr1bn.

Reichmann selects fresh team from O&Y staff

By Bernard Simon in Toronto

MR PAUL Reichmann, the guiding light in the rise and fall of Olympia & York, has recruited several former O&Y employees to help him rebuild his reputation in the international property business.

Reichmann International, Mr Reichmann's new company, has rented offices in Toronto formerly occupied by O&Y. The restructured, but much-shrunken, O&Y emerged from bankruptcy protection earlier this month under the effective control of its creditors and the day-to-day management of a lender-appointed administrator.

The debt-restructuring included the creation of a modest-sized property management company, O&Y Properties, under the management of Mr Philip Reichmann, Mr Paul Reichmann's nephew, and Mr Frank Hauer, his son-in-law. The elder Reichmann, however, signalled his ambition to play on a bigger field by setting up Reichmann International. He recently announced he was teaming up with Mr George Soros, the New York investment manager, to create an international property fund. The fund's first investment is expected to be in Mexico.

RI's recruits include Mr Peter Anderson, an American finance specialist. Mr Anderson spearheaded the abortive attempt by Canary Wharf, O&Y's former flagship project in London's Docklands, to raise money in the months before its collapse through an Enterprise Zone unit trust.

Mr Anderson went to Canary Wharf about two years ago from Swiss Bank Corporation's London office, where he was executive director in charge of equities.

RI has also hired Mr Ronald Soskolne, a South African-born architect who led the design team for Canary Wharf and New York's World Financial Centre.

Neither Mr Anderson nor Mr Soskolne has a formal title.

US brewers look for more overseas flavour

By Nikki Tait in New York

THE DEALS are coming thick and fast. On Monday, Anheuser-Busch, the number one brewing company in the US, unveiled plans to buy a 17.7 per cent stake in Mexico's leading beer producer, Grupo Modelo. A few days earlier, it announced a joint venture with Kirin Brewery in Japan.

In January, Miller Brewing, the second-largest US brewer and part of the giant Philip Morris group, bought a 20 per cent interest in Molson Breweries, Canada's largest brewer.

In December, Miller took a near 8 per cent interest in Fomento Economico Mexicano, a second Mexican brewer whose market share is only slightly smaller that Grupo Modelo's.

The rationale behind the flurry of activity is fairly simple: the US brewers' home market has been depressingly flat of late.

The Beverage Marketing Corporation, a New York-based consultancy group, estimates US domestic beer sales amounted to 188m barrels last year, virtually unchanged from the 1988 figure of 187.4m barrels.

In the three intervening years, sales stood at 188.1m, 193.2m, and 188.3m barrels respectively. The fillip in 1990, moreover, was largely explained by a run-up in stocks ahead of a doubling in federal excise tax.

The explanations for this bleak situation range from the ageing of the "baby-boom" generation to the higher tax burden and associated rise in prices. Increasing emphasis on "healthy" eating and drinking has played a significant part, too.

For years, the big brewers have been producing "light" beers, and the top three brands – Miller Lite, Coors Light and Bud Light – now account for more than one-fifth of US beer sales.

Within this maturing industry, Anheuser has achieved creditable market share gains. It has increased its take of the US domestic market from around 35 per cent in the mid-1980s to over 44 per cent last year, and has a declared target of 50 per cent. After-tax profits have also increased steadily.

But Anheuser's attempts to diversify into food, snacks, theme parks, even bio-technology, are widely judged to have been a flop. For some analysts, then, a move to expand the core beer business out of the domestic arena and into international markets which are still growing, cannot come a moment too soon.

Mexico has obvious attractions: the beer market has been expanding, in volume terms, at around 6 per cent annually, while the North American Free Trade Treaty would bind the country more closely to the US economy and accelerate Mexico's growth. Nafta also anticipates that a fairly heavy tariff on imported beers would be phased out.

However, Anheuser has made clear that its interest in Grupo Modelo focuses primarily on the Mexican brewer's potential in its own market, rather than as a conduit for selling Budweiser abroad.

Mexico provides an attractive brew

Damian Fraser examines the rationale of Modelo's joint venture with Anheuser-Busch

CORONA, the light golden Mexican beer, became an international success story in the 1980s. Sold in stylish, clear bottles, it leaped from being the tipple of poor Mexican workers to become a fashionable drink in the US.

Now the beer will be part owned by the US brewing group Anheuser-Busch, the world's largest.

Grupo Modelo, Corona's producer, has been a tightly controlled privately-owned family company since 1925.

The handful of owners, led by Mr Don Juan Sanchez Navarro, are icons of the Mexican business community, and between them have helped run the company for more than 40 years.

They have sold an effective 18 per cent of their company to Anheuser-Busch for $477m in cash. Soon the owners will take Modelo public, offering another 13 per cent of capital for an expected $270m in national and international markets.

From 1995 to 1997, Anheuser-Busch has an option to raise its stake to 35 per cent.

By Mexican standards, Modelo is a peculiar company. It does not believe in debt; hardly pays dividends, preferring to re-invest its money; and throughout the wild expansionary days of the late 1970s and early 1980s stuck resolutely to beer.

However, Modelo had , says Mr Sanchez Navarro, to face the consequences of the North American Free Trade Agreement. "How can we be more competitive?" he asks "By fighting the American beer groups? Probably they would break us apart. Not exactly in quality, but in prices and sales strategy.

"If they are our partners they cannot. Now we can dedicate our money to improving our distribution systems, and the installations in our factories."

Modelo's joint venture with Anheuser is no doubt prompted by similar ventures expected to be made by its arch-rival, Fomenta Economico Mexicana (Femsa). Philip Morris, the US foods group and owner of Miller beer, recently bought 7.9 per cent of Femsa from Citibank for $156m. Analysts expect Miller and Femsa's beer division to announce a tie-up later this year, giving the two largest beer groups in the US a foothold in Mexico.

Femsa has also confirmed it is in the final stage of talks with Coca-Coal about a link in its soft-drinks division, worth an estimated $600m.

Femsa's two breweries have combined sales of $1.3bn, giving it 49 per cent of Mexico's domestic beer market, against Modelo's 51 per cent.

The two companies have the best distribution networks in Mexico, have tied up most

Mexican wave: dealing a new hand for Modelo

retail outlets in exclusivity contracts, and have – through labels such as Sol, Tecate, Dos Equis of Femsa, and Corona, Negro Modelo and Victoria of Modelo – a firm hold on Mexican brand consciousness.

Their tight control over the beer market explains why Anheuser entered the Mexican market through Modelo, rather than going it alone.

Imports account for just 0.4 per cent of the Mexican market. This may change under Nafta, with tariffs planned to come down from 20 per cent to zero over eight years.

Mexico should prove an attractive market for the US beer companies for other reasons.

Beer consumption is just 47 litres per person annually, about half that in the US. As incomes rise, consumption should increase over the next decade – by 5 per cent annually in volume terms, according to Lavinia Agnew of Baring Research in Mexico City, against 1 per cent annually in the US.

Profit margins, held down by government price controls, excise taxes, and low incomes are expected to increase from their depressed levels of about 10 per cent. Both Femsa and Modelo are increasingly dividing their beers into premium and basic brands, enabling them to increase margins on some beers.

Anheuser-Busch and Modelo will inter-change personnel in marketing, distribution and finance, giving the Mexican company a significant edge in meeting new demand at home. Modelo is increasing output capacity by about half by building a $500m state-of-the art brewery in Zacatecas. Its capacity is1.2m litres.

Modelo will also use the joint venture to continue its expansion overseas, although in the US it will keep its existing distribution companies.

After flattening out in the US in the late 1980s, sales have picked up, with Corona reclaiming the number two spot for imported beers last year. Sales were around 15m cases – up 13 per cent on 1991. Corona is now sold in 56 countries, with total exports of around $150m.

Much to its chagrin, the only country where it lies behind Femsa is the UK, where Femsa's Sol beer has had the same impact Corona had in the US in the mid-1980s.

Sol's export version is a pale, fizzy beer, and as such is unknown in Mexico. But because of its success Femsa is planning to sell it in Mexico, complete with English labels.

Avesta Sheffield sees better year after heavy loss

By Andrew Baxter

AVESTA SHEFFIELD, the newly-formed Anglo-Swedish stainless steel producer, should record "substantially better" results this year after heavy losses in 1992, according to Mr Per Molin, the president and chief executive.

The Stockholm-based company, which by some measures is Europe's largest stainless producer, was formed in November from a merger between Avesta of Sweden and British Steel Stainless.

Last week, it announced a SKr564m ($73m) loss after financial items for 1992, and scrapped its dividend. Mr Molin said he could not be more specific about this year's performance because of uncertainties in the European market and the currency markets.

But he outlined three points that gave him grounds for optimism; the devaluation of sterling and the Swedish krone had increased the company's earnings capability in several key markets; stainless steel consumption would grow by an average 4 to 6 per cent a year this decade; and the merger itself was turning out better than expected.

The new company is hoping to increase its market share through offering a wider range of products, but has also moved quickly to gain production efficiencies. Two hot-rolled plate lines and a precision strip mill in Sheffield have been closed, and the production of cold-rolled plate has been redistributed between the UK and Sweden.

But Mr Molin said it would take some time before decisions were taken on the company's four melting shops – two in each of its home countries.

"There is no doubt we will have to change that, but this does not mean that one or two will definitely close," he said. "We are analysing the alternative of producing steel for other companies."

Avesta Sheffield's largest melting shop, employing nearly 300, is in Sheffield, and is thought likely to be retained by the company. Its smaller Panteg plant in Wales produces continuously cast billets, and the other two melting shops are in Sweden.

The changes are important if Avesta Sheffield is to achieve Mr Molin's forecast for this year. Stainless steel prices are rising, but European consumption of stainless is likely to be about the same as last year before resuming its relatively strong long-term growth later.

Coca-Cola to invest $150m in the Chinese hinterland

By Tony Walker in Beijing

COCA-Cola, the US soft-drinks group, is pumping a further $150m into China to extend its bottling capacity inland to take advantage of growing affluence in the hinterland.

The projects – which will involve building plants or upgrading existing ones – will be in 10 inland cities, including Xi'an, Wuhan and Shenyang. This will bring the company's total investment in China to about $250m by 1998.

"This time we've picked 10 inland cities because we think they've all got great potential. People in those cities are quickly becoming more affluent," said Mr B.C. Lo, of Coca-Cola China, based in Hong Kong.

Coca-Cola signed a memorandum of understanding last month with China's ministry of light industry to extend its activities deeper into the country.

Coca-Cola is one of the largest foreign investors in China. Its 13 bottling plants, located mainly in coastal cities such as Shanghai, Tianjin, Guangzhou, as well as Beijing and Nanjing, produce 75m cases of soft drink annually.

Canberra plays down claims over Fairfax

By Kevin Brown in Sydney

THE Australian government yesterday played down claims by Mr Conrad Black, the Canadian proprietor of The Telegraph UK newspaper group, that it would shortly approve his plans to buy more shares in John Fairfax.

Mr Black told Reuters news agency that The Telegraph expected its application for permission to increase its stake in Fairfax from 15 per cent to 25 per cent to be approved.

"We expect our bid to increase our shareholding to be successful," Mr Black said. However, aides to Mr John Dawkins, the treasurer (finance minister), said no decision had been made.

"I think he is being a little bit premature," an official said. "The issue has to be deliberated (sic) by caucus."

Mr Dawkins has until April 24 to decide whether to allow the increased shareholding, following an inconclusive report by the Foreign Investment Review Board, which vets overseas investment proposals.

In practice, the final decision will be taken by the ruling Labor party's parliamentary caucus, which has previously sought to limit overseas holdings in newspaper groups to a maximum 20 per cent.

Officials say the government has discounted reports in the Fairfax press that Mr Black would sell the Telegraph's existing holding to Mr Kerry Packer, the Australian entrepreneur, if his application is denied.

Under Australian cross-media ownership laws, Mr Packer would be limited to a 15 per cent holding in Fairfax, provided he could show that the shareholding would not give him control of the group.

Fairfax is the main competitor to Mr Rupert Murdoch's News Corporation group. Its titles include the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review and Business Review Weekly.

Mudslinging prompts a quick fall

Yamaha's troubles have been all too public, writes Michiyo Nakamoto

THE downfall of Mr Hiroshi Kawakami, the ex-president of Yamaha, the world's largest musical instruments maker, has been swift and unceremonious.

Last Friday, just a year after he was forced out as president, he was made to relinquish his seat on the Yamaha board and was appointed head of a little-known affiliate which develops holiday resorts in Hokkaido, Japan's remote northernmost island.

The latest move against Mr Kawakami was triggered by an article in a popular weekly magazine in which he gave his account of his removal from the presidency.

He said intrigue against the Kawakami family and a management coup, rather than the official explanation that he was stepping down to take responsibility for the company's sluggish performance, were the real reasons for his resignation.

This revelation proved his final undoing. Mr Kawakami, by carrying on his feud in a magazine, committed the unforgivable crime of exposing Yamaha's shame in public.

To the Japanese, unaccustomed to public demonstrations of corporate discord, the goings-on at Yamaha seemed more appropriate to a third-rate TV soap opera than a prestigious international corporation.

For Yamaha the public mudslinging was not just disgraceful; it was totally unbecoming a company which counts among its sister companies Yamaha Motor, the world's second-largest motorcycle manufacturer, and Yamaha Music Foundation, a network of music schools teaching millions of Japanese children.

The ousting of Mr Kawakami was an unusual display of a Japanese labour union flexing its muscles and joining forces with management to remove a leader they felt to be inadequate. However, with the deteriorating economic environment in Japan, such management-labour alliances to force out incompetent chief executives are becoming more common.

In February last year, Yamaha's labour union was scheduled to meet Mr Kawakami and the management to discuss his responsibility for the company's sluggish profits and lack of direction. However, Mr Kawakami called in sick, prompting the union call for his resignation.

The next day, Mr Kawakami, at the helm for over eight years, resigned and was replaced by the vice-president,

Seisuke Ueshima: successor to Hiroshi Kawakami

Mr Seisuke Ueshima. Mr Hiroshi Kawakami was the third Kawakami family member to have run Yamaha since Mr Kaichi Kawakami rescued the company nearly 60 years ago from the brink of bankruptcy.

The family's total shareholding in the group, however, is less than 1 per cent, although it wielded enough power to ensure the succession.

Critics said Mr Hiroshi Kawakami, an avid skier and concert-goer, was more interested in classical music and sports cars than in turning around the company's slumping businesses. After nearly 10 years of lacklustre performance with no prospect of improvement, falling employee morale and lack of trust in the management finally prompted the labour union to act.

Yamaha has suffered from a continuing decline in its core musical instruments business. Unit sales of pianos have fallen from a peak in 1980 of 238,000 to 160,000 a year. Areas into which the company has diversified, from sporting goods to furniture and audio equipment, are suffering from the slowdown in consumer spending.

Pre-tax profits fell to Y2.83bn ($24m) in the year to March 1992 from Y4.25bn the year before.

A restructuring programme aimed at returning pre-tax profits to Y10bn in 1995 was launched belatedly last year. But the post of chairman has been left vacant while Mr Ueshima, who was vice-president for nearly nine years before becoming president, is himself hardly free of blame for the company's lack of direction over the past few years.

Unless Yamaha opts to bring in new management from outside, the company's only hope for full-scale recovery lies in its current management displaying the kind of leadership skills it has so far failed to show.

Property sales offset slow jetfoil growth by Shun Tak

By Simon Davies in Hong Kong

SHUN Tak, the Macau jetfoil operator owned by casino tycoon Mr Stanley Ho, yesterday announced an 18.5 per cent increase in net profit to HK$511.4m (US$66m) for 1992, up from HK$431.4m in 1991.

The company's jetfoil operations experienced slower growth, but this was compensated for by an increase in property sales. If sales continue according to the current schedule, the company is expected to show a 50 per cent increase in profits for the current year.

Shun Tak wrote off the value of its entire investment in Air Hong Kong, the air cargo operator, resulting in an extraordinary loss of HK$187.2m, as the management has accepted it is unlikely to return to profitability.

From February, the company has reaped the benefits of a increase in jetfoil fares.

JARDINE Strategic, the investment holding company of Hong Kong's Jardine Matheson group, yesterday announced a 12 per cent rise in net profits to US$262m for 1992, compared with $233m the year before. Turnover increased by $143m to $4.89bn, while net assets per share appreciated 24 per cent to $4.29.

Pick 'n Pay ahead 10% at R93m in tough trading

PICK 'n Pay Stores, South Africa's largest supermarket chain, yesterday posted a 10 per cent rise in net profits to R93m ($29.3m) for the year to February 1993, from R84.4m the year before, Reuter reports from Cape Town.

Earnings per share advanced to 59.3 cents from 53.9 cents – taking account of a two-for-one share split last November. The directors have recommended a final dividend of 26.25 cents a share, making 33.5 cents for the year, against 28.75 cents the previous year.

Trading profits moved up to R146.2m, from R131.2m, on turnover R510,000 ahead at R6.42bn. After net interest income of R13.9m, against R3.4m, and investment income of R1.2m, compared with R11.2m, pre-tax profits emerged R22.3m higher at R161.3m. Tax took R68.3m, compared with R54.6m.

● The group expects tough trading conditions for at least another year but is confident it can show continued earnings growth, AP-DJ reports.

Mr Raymond Ackerman, chairman and chief executive said a staff productivity deal was likely and 10 new stores were planned.A 4 per cent rise in South Africa's value added tax could depress consumer spending briefly, but inflation was falling and turnover growth of 8 to 10 per cent would be enough to keep ahead of inflation, rather than the 10 to 15 per cent needed recently.

Codan in renewed bid for Hafnia unit

By Hilary Barnes in Copenhagen

CODAN, the Danish insurer controlled by the UK's Sun Alliance, yesterday made a new bid to acquire the insurance operations of Hafnia, the Danish insurer.

The group put its insurance business up for sale after the parent company, Hafnia Holding, suspended payments last autumn.

Codan's bid cuts across plans for an all-Danish solution to the crisis in the Danish insurance industry caused by the financial problems at Hafnia and its rival Baltica, which has reported a DKr4.4bn ($699m) loss in 1992.

Baltica offered to acquire Hafnia's insurance and banking operations last Monday, when it also announced a reorganisation by which the parent company, Baltica Holding, will be reduced to a minority shareholder in Baltica Insurance.

This move caused a big drop in the share price in Baltica Holding, which in turn affected Hafnia, which is the largest shareholder in Baltica Holding with just over 33 per cent.

Codan was among several companies which made offers earlier this year to acquire Hafnia's insurance business. Last Sunday Codan withdrew the offer, but according to Mr Peter Zobel, Codan's chief executive, the offer was remade this week.

● Difficult conditions in world shipping markets cut net profits in the Lauritzen shipping and shipbuilding group to DKr88m ($13m) in 1992 from DKr320m in the previous year.

Group sales increased from DKr13.15bn to DKr13.84bn, but profits after net financial items were down from DKr416m to DKr146m, and after ship disposals and extraordinary items from DKr545m to DKr186m.

The group said that earnings by the Lauritzen refrigerated cargo business, in which it operates one of the world's largest fleets, gas tankers and offshore drilling rigs, were unsatisfactory.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 25.03.93: Pool purchase price £/MWh	Final Prices for Trading on 28.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.01	19.47	19.47
0100	18.13	27.05	28.41
0130	21.34	27.05	28.37
0200	21.34	27.05	28.36
0230	21.34	25.16	28.37
0300	18.11	24.49	25.65
0330	18.05	24.17	25.36
0400	17.64	23.89	24.87
0430	17.55	21.79	22.59
0500	17.55	23.20	24.38
0530	17.64	22.28	23.46
0600	17.64	22.22	23.41
0630	17.59	22.42	23.62
0700	18.01	22.63	23.83
0730	23.09	23.99	25.24
0800	23.35	24.31	25.55
0830	23.09	23.99	25.22
0900	23.35	25.08	26.34
0930	28.13	25.08	26.33
1000	28.13	27.05	28.36
1030	28.13	25.08	26.33
1100	26.90	25.08	26.33
1130	26.90	25.08	26.33
1200	26.90	27.05	28.37
1230	25.56	27.05	28.37
1300	24.41	27.05	28.38
1330	23.09	24.85	26.10
1400	22.92	24.85	26.11
1430	18.62	24.85	26.12
1500	18.35	24.31	25.56
1530	18.35	22.98	24.19
1600	18.35	22.98	24.19
1630	22.92	19.61	19.61
1700	22.78	22.98	24.15
1730	23.61	24.31	25.52
1800	23.61	25.50	26.74
1830	23.61	27.13	28.38
1900	26.63	27.13	28.36
1930	26.63	27.12	28.36
2000	26.63	26.20	27.43
2030	27.11	25.11	26.32
2100	22.92	25.11	26.33
2130	22.92	27.05	28.32
2200	22.92	27.05	28.32
2230	20.91	27.05	28.35
2300	18.01	18.17	18.17
2330	17.55	18.26	18.26
2400	17.64	18.26	18.26

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

Bundesbank rate move underpins European sentiment

By Sara Webb in London and Karen Zagor in New York

THE BUNDESBANK'S decision to cut one of its short-term interest rates yesterday raised hopes of a further easing and provided a boost for German and other European government bond prices.

Bund prices received further encouragement from news in the afternoon that the Russian parliament chairman, Mr Ruslan Khasbulatov, said he did not favour the impeachment of President Boris Yeltsin.

GOVERNMENT BONDS

Early in the trading session, the Bundesbank said it had cut its three-day Treasury bill rate from 8.4 per cent to 7.5 per cent, which is the same level as the discount rate. Economists pointed out that the move should give the Bundesbank more freedom to cut its repo rate and allow the call money rate to fall lower.

"The move went down very well in the market as it means the Bundesbank will probably lower the discount rate further in the next couple of months," said Mr Julian Callow, European economist at Kleinwort Benson. "The three-day T-bill rate has traditionally been above the discount rate, so now that they are at the same level it creates the impression that the discount rate will come down," he added.

The bund futures contract opened at 95.26 and rose steadily to a high of 95.67 towards the close of trading.

The release of disappointing inflation figures from one of the western German states yesterday had little impact on the market. Consumer prices in the state of Baden-Wuerttemberg rose 0.4 per cent in the month to mid-March and were up 4.3 per cent from a year earlier.

■ LONGER-DATED UK government bonds continued to slip as dealers marked down prices ahead of next week's gilt auction, while short- and medium-dated issues traded in a relatively narrow range.

Dealers said the ⅛ to ¼-point drop in prices among long-dated issues reflected pre-auction positioning of the market. The Bank of England will auction £3bn of a new 20-year stock – the 8 per cent gilt due 2013 – on March 31.

■ JAPANESE GOVERNMENT bond prices were pushed sharply lower yesterday by a combination of yen weakness and a stock market rally.

The June futures contract, which closed on Wednesday at 109.80, traded in a range of 108.99 to 109.65, before ending the day at 109.03.

The yield on the benchmark No 145 issue opened at 4.09 per cent and moved between 4.065 per cent and 4.15 per cent, before ending the Tokyo session at 4.135 per cent. The bond market opened on a weaker note, due to the yen's fall against the US dollar.

Dealers reported some buying interest on weakness late in the Tokyo session and during London trading, which led to a slight pick-up in prices.

■ US TREASURY prices were narrowly mixed yesterday morning in fairly subdued trading as the market waited for the afternoon auction of $11bn five-year notes.

By midday, the benchmark 30-year government bond eased $\frac{1}{32}$ at $103\frac{21}{32}$, yielding 6.824 per cent. At the short end of the market, the two-year note was $\frac{1}{16}$ higher, to yield 3.908 per cent.

There was no need for the Federal Reserve to intervene in the open market, with Fed Funds trading at 3 per cent, the Fed's target for the rate.

There was little market reaction to reports that jobless claims fell 2,000 to 349,000 for the week ended March 20. The decline met expectations.

FT FIXED INTEREST INDICES

	Mar 25	Mar 24	Mar 23	Mar 22	Mar 19	Year ago	High *	Low *
Govt Secs (UK)	98.50	98.60	98.59	96.85	97.56	85.93	98.04	85.11
Fixed Interest	112.14	112.27	112.84	112.94	113.29	98.99	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 113.83 (9/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18
Gilt Edged Bargains	182.3	129.4	144.8	120.9	117.7
5-Day average	135.0	127.9	124.2	120.8	121.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.1558	-0.297	7.73	7.63	8.21
BELGIUM		9.000	03/03	109.7250	-0.125	7.58	7.31	7.56
CANADA *		7.250	06/03	98.7000	-0.300	7.43	7.51	7.37
DENMARK		8.000	05/02	99.0000	+0.150	8.14	8.15	8.64
FRANCE	BTAN	8.000	05/98	103.7459	+0.086	7.09	7.15	7.69
	OAT	8.500	04/03	107.8700	+0.070	7.36	7.35	7.52
GERMANY		7.125	12/02	103.2450	+0.300	6.65	6.62	6.77
ITALY		11.500	03/03	93.9200	+0.065	12.98†	12.76	12.98
JAPAN	No 119	4.800	06/99	103.2477	-0.619	4.14	3.97	3.85
	No 145	5.500	03/02	103.0166	-0.253	4.13	4.04	3.93
NETHERLANDS		7.000	02/03	102.0900	-0.070	6.69	6.56	6.71
SPAIN		10.300	06/02	92.3234	-0.154	11.68	11.31	11.65
UK GILTS		7.250	03/98	102-04	+1/32	6.74	6.59	6.68
		8.000	06/03	51-30	-2/32	7.72	7.57	7.80
		9.000	10/08	106-04	-4/32	8.29	8.09	8.29
US TREASURY *		6.250	02/03	102-01	-16/32	5.97	5.95	6.13
		7.125	02/23	103-23	-23/32	6.83	6.83	6.88
ECU (French Govt)		8.000	04/03	102.3000	+0.170	7.66	7.45	7.81

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Japan set to restrict Euroyen issue access

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance is poised to tighten its grip on placements of yen-denominated corporate bonds issued overseas by clamping down on Japanese purchases of Euroyen bonds.

The decision is seen as an attempt to protect the country's fledgling corporate bond market, which is currently sagging under the surge of domestic straight bond issues.

The move could also depress the number of yen bonds issued in the Eurobond markets by Japanese companies as the restriction on placement may lead to higher issuance costs.

The ministry has tried to keep Eurobonds offshore by prohibiting yen bonds issued overseas from entering the country for the first 90 days of issuance. Japanese securities houses have found their way around the restrictions, however, by agreeing to hold the bonds for three months before selling the paper off to Japanese investors at the issuing price.

Foreign criticism has been rising over the lack of transparency of the agreements between Japanese brokers and investors. The ministry may now start monitoring the placement of Euroyen bonds to prevent the "warehousing" of bonds.

Buying Eurobonds has allowed Japanese investors to avoid paying withholding tax, so increasing the returns on investments.

Japanese brokers and overseas underwriting affiliates of Japanese banks will be seriously affected by the ministry's restrictions. Japanese brokers, which have turned to overseas bonds as an important source of income following the sharp fall in profits due to the sluggish Tokyo stock market, will be especially hard hit.

After Japanese companies were permitted to raise money on the Euroyen bond markets in 1990, they issued Y3,130bn in 1991 and Y2,800bn last year.

One US investment banker welcomed the move, saying it would "cleanse" the Euroyen bond market, making prices and trading less artificial.

Record foreign investment in Canadian paper

By Bernard Simon in Toronto

FOREIGN investment in Canadian securities has reached record levels in recent months, due largely to a spate of bond issues by the provinces and their agencies.

Statistics Canada said yesterday that net inflows in January totalled C$6bn, up from C$3.6bn in December and C$846m in January 1992.

The surge is in sharp contrast to net outflows last autumn, when investors were unsettled by uncertainty over the referendum on a proposed new constitution.

Besides the return of calm on the political front, the gap between Canadian and US long-term interest rates widened by about 25 basis points in January to 1.25 percentage points.

About 70 per cent of January's inflows were channelled into new bond issues, mainly by the provinces.

AT&T returns with $400m issue

By Richard Waters

AT&T, the US telecommunications giant, returned to the international bond market for the first time since 1987 to refinance part of the $1.5bn of bonds it decided recently to repay early.

The $400m, five-year issue was said to have been aggressively priced, given that the company's credit ratings are under review for a possible downgrade from both Moody's and Standard & Poor's. The bonds were priced to yield 40 basis points over US government bonds.

But AT&T's strong name recognition among retail investors and the relative lack of new five-year Eurodollar bonds recently ensured success. A number of banks involved in the transaction reported the bonds had sold well, and they were freed to trade early in the day.

INTERNATIONAL BONDS

Other retail-driven deals met a mixed response yesterday. After a recent five-year Canadian dollar issue from the Kingdom of Denmark, the Mortgage Bank of Denmark launched C$150m of five-year bonds which carry a guarantee from the Kingdom. They were launched at a yield spread of 60 basis points over the Canadian government benchmark, which was said to be too close to where the Kingdom's own issue was trading at the time to assure the new bonds of strong demand. Also, much of the Canadian dollar paper issued recently to take advantage of attractive five-year swap rates is still said to be with underwriters, leaving little demand for more bonds in the same maturity. The bonds were bid later in the day at 99.20, down from the 99.45 at which they were offered, despite a rise in the Canadian government bond market.

A better reception greeted the latest bond issue from a Latin American borrower, a $150m offer from the public-sector Bancomext (Banco de Comercio Exterior). At seven years, the issue extends the maturity further than recent Mexican issues. The yield spread of 230 basis points over US Treasuries, compared with the 208 basis point spread on the recent five-year United Mexican States issue from Deutsche Bank, was said to be fairly priced by banks not involved in the transaction.

The steady flow of Mexican paper in recent weeks contrasts with the flood of Brazilian bonds in the past fortnight. Banco do Brasil added to this on Wednesday with a $100m, five-year deal through CSFB at a yield spread of 540 basis points. Although from a highly-regarded borrower, the bonds presented a severe test for the market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
AT&T	400	5.625	101.305	Apr.1998	1.875/1.675	CSFB
Bancomext	150	8	100.825	Apr.2000	1.875/1.25	Swiss Bank Corp.
YEN						
Furukawa Co.	15bn	4.35	101.55	Jul.1997	1.625/1.6	Yamaichi Intl.(Europe)
FRENCH FRANCS						
Soc.Gén.Acceptance(a)‡	300	(a)	100.875	Jun.2003	1.875	Société Générale
CANADIAN DOLLARS						
Mortgage Bank of Denmark	150	7.875	101.071	Apr.1998	1.875/1.625	Salomon Brothers Intl.
Province of Newfoundland(b)	100	8.75	100.425	May.2003	2/1.575	ScotiaMcLeod

Final terms and non-callable unless stated. ★Private placement. ‡Floating rate note. a) Coupon pays 9.5% fixed annual in first year and 17% - 1.5 * 3-month Pibor thereafter. b) Coupon is reset at maturity and holders have option to extend bonds for a further 10 years.

Matif delays contract listing on Globex

By Laurie Morse in Chicago

THE MATIF, in a last-minute move, has postponed listing its largest contract, Notional bond futures, on the Chicago-based Globex electronic trading system. The contract was to have been added to the system today.

Matif said technical problems had prompted the decision. Globex is owned by the Chicago Mercantile Exchange, the Chicago Board of Trade, and Reuters Holdings.

A Matif spokeswoman said: "The Notional bond is our biggest contract. We want to make sure the system is 99.9 per cent certain before we launch."

She said Reuters Holdings, which designed and operates the system, was working to fix the technical problems, adding there was no new listing date for the contract.

Globex has nearly doubled its volume since Matif listed its Pibor and Ecu contracts on the system on March 12.

Association planned for UK derivatives industry

By Richard Waters

A TRADE association to represent the futures and options industry in the UK is likely to be proposed formally within a matter of weeks, following the announcement yesterday of a formation group set up to study the idea.

The derivatives industry – estimated by one member of the formation group to employ more than 20,000 people in London, up from 5,000 seven years ago – remains one of the largest interest groups in the City not represented by its own trade association.

Until now, it has relied on the efforts of the Joint Exchanges Committee, comprising Liffe, the London Fox, the London Metal Exchange and the International Petroleum Exchange. However, the association is intended to represent the over-the-counter markets as well as exchange-traded ones.

All four exchanges are represented on the formation group, along with OM London, the London Clearing House, and representatives from eight houses involved in futures and options. Mr Alastair Clark, of the Bank of England, has been appointed as an observer.

The group, which first met earlier this week, is expected to meet twice more in the coming weeks before producing a formal proposal for the association. It is chaired by Mr Brian Williamson, chairman of Gerrard & National and a member of the board of the Securities and Investments Board, who is expected to stand down as soon as the formation group has made its recommendation.

● Banco Bilbao Vizcaya (BBV) has applied for membership to the London International Financial Futures and Options Exchange in order to broker and execute Liffe's newly-launched Spanish bond futures.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106⅝		4.41	ARBED 7 1/2 95 LFr	600	97¼	98¼		8.84
ALBERTA PROVINCE 9 3/8 95	600	110⅝	111⅛		4.78	ECSC 7 3/4 94 LFr	1000	99½	100½		8.13
[illegible]						[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	30	33
Other Fixed Interest	1	3	11
Commercial, Industrial	241	368	799
Financial & Property	92	242	462
Oil & Gas	16	15	53
Plantations	1	0	7
Mines	42	6	88
Others	41	46	32
Totals	448	710	1,485

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants	½		-	-	-	-
150	F.P.	-	188	153	David Lloyd Leis	181	-3	b1.95	4.8	1.4	17.5
100	F.P.	-	104	98	For & Col US Smllr Co's	103		-	-	-	-
-	F.P.	-	44	30	Do. Warrants	41		-	-	-	-
51	F.P.	-	84	52	Intl. Food Machinery	80	+2	-	-	-	-
§210	F.P.	-	280	262	Motor World	278		R6.3	2.5	3.0	17.3
100	F.P.	-	100	96½	Pilot Inv. Trust	96½		-	-	-	-
-	F.P.	-	38	21	Do Warrants	27		-	-	-	-
100	F.P.	-	105	102	Schroder Split Fd Inc	104	+1	M6.75	-	8.7	-
20	F.P.	-	21	19	Do. Cap	20	-1	-	-	-	-
100	F.P.	-	101¼	99	Do Zero Div. Pf	101½		-	-	-	-
25	F.P.	-	26¼	25½	Warrants & Value Tst	25½	-½	-	-	-	-
110	F.P.	-	141	127	Yorkshire Food	128	-1	W2.88	2.5	3.0	15.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117⅞p	102¾p	Airtours 6½p (Net) Cv Pf (ex-div)	112p	-½
100p	F.P.	-	122¼p	115½p	Bristol Water 8¼pc Pf	116p	
100p	F.P.	-	172½p	105½p	Commercial Union 8¾pc Cnv. Pf	105⅝	+¼
100	F.P.	-	114⅜	108½	MFC 7¾pc Cv Bd. 2007	109⅜	
100p	F.P.	-	125½	123½	Pegu Estates 7½pc Cv. Uns. Ln. 2020	123½	-1½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
42	Nil	14/5	20pm	18pm	BBA	20pm	
405	Nil	23/4	71pm	62pm	British Polythene	71pm	
28	Nil	7/4	24pm	8pm	‡Cupid	9pm	
239	Nil	21/4	47pm	40pm	Gold Greenlees Trott	47pm	
17	Nil	7/4	11pm	3pm	Lopex	5½pm	+1½
225	Nil	8/5	35pm	34pm	Pendragon	34pm	
95	Nil	28/4	40pm	22pm	Vickers	37pm	+3
45	Nil	23/4	12pm	6pm	WPP	7½pm	+½

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings March 22
● Last Dealings April 2
● Last Declarations July 1
● For settlement July 12

3-month call rate indications are shown in Saturday editions.

Calls in: Thorntons, Downibrae, Hanson Wts., Microvitec and Welcome. Put in: Avesco. Call in: Medeva.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*564)	550	21	38	49	7½	29	37
[illegible]							
Shell Trans. (*572)	600	4	18	26	32	38	47
Storehouse (*189)	180	13	23	27	3	11	13
	200	4	13	18	13	21	25
Trafalgar (*76)	74	5½	10½	13	3½	7½	10
	83	2	6½	9½	9½	14	15
Utd. Biscuits (*405)	390	18	30	40	8	20	26
	420	3½	17	28	28	36	43
Unilever (*1185)	1150	38	69	93	12	35	45
	1200	10	43	68	43	62	70

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*268)	260	29	44	58	16	27	36
	280	20	34	46	26	37	48
BAA	750	57	68	80	9	24	30
[illegible]							
Amstrad (*33)	30	6	7	8½	2	3	4
	35	3	5	6	4	6	6½
Barclays (*413)	390	41	50	57	13	24	30
	420	24	34	43	27	40	45
Blue Circle (*223)	220	17	33	28	17	24	29
	240	7	15	20	32	37	43
British Gas (*295)	280	22	25	29	9	13	18
	300	9	15	19	21	24	28
Dixons (*224)	220	22	28	35	14	21	26
	240	10½	18	26	25	33	38
Eurotunnel (*479)	460	49	66	84	31	40	51
	500	29	47	65	55	66	73

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Glaxo	550	70	90	97	16	28	42
[illegible]							

EURO FT-SE INDEX / FT-SE INDEX: [illegible]

CALLS								
[illegible]								
May	181	142	107	76	53	35	22	12
Jun	194	158	125	96	70	51	35	24
Jul	212	175	142	113	90	68	50	38
Dec	280	-	205	-	160	-	120	-
PUTS								
Apr	7	13	23	41	72	109	154	202
May	22	32	48	69	94	125	164	206
Jun	32	44	61	81	105	137	172	211
Jul	43	56	73	92	120	148	181	220
Dec	80	-	115	-	160	-	220	-

March 25 Total Contracts 41,576
Calls 16,700 Puts 24,876
FT-SE Index Calls 2,583 Puts 3,765
Euro FT-SE Calls 1,119 Puts 1,940
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Mar 25	Day's change %	Wed Mar 24	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.08	+0.02	129.07	2.13	2.37
2	5-15 years (22)	148.66	-0.01	148.76	1.46	3.96
3	Over 15 years (8)	156.96	-0.06	157.04	1.16	3.10
4	Irredeemables (6)	179.72	-0.24	180.14	3.14	1.48
5	All stocks (60)	144.71	-0.01	144.77	1.68	3.26
	Index-Linked					
6	Up to 5 years (2)	183.24	+0.18	182.91	0.37	1.51
7	Over 5 years (12)	173.89	+0.07	173.77	0.64	1.33
8	All stocks (14)	174.01	+0.08	173.87	0.60	1.35
9	Debs & Loans (67)	128.35	+0.11	128.21	2.35	2.49

	AVERAGE GROSS REDEMPTION YIELDS		Thu Mar 25	Wed Mar 24	Year ago (approx.)
	British Government				
1	Low	5 years	6.72	6.72	9.10
2	Coupons	15 years	7.84	7.84	9.57
3	(0%-7¾%)	20 years	8.11	8.10	9.57
4	Medium	5 years	6.97	6.97	9.98
5	Coupons	15 years	8.26	8.25	9.68
6	(8%-10¾%)	20 years	8.46	8.45	9.63
7	High	5 years	7.18	7.15	10.20
8	Coupons	15 years	8.49	8.48	9.83
9	(11%-)	20 years	8.59	8.57	9.75
10	Irredeemables (Flat Yield)		8.51	8.48	9.77
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.31	2.37	3.77
12	Inflation rate 5%	Over 5 yrs.	3.43	3.44	4.55
13	Inflation rate 10%	Up to 5 yrs.	1.41	1.46	3.07
14	Inflation rate 10%	Over 5 yrs.	3.24	3.25	4.36
15	Debs &	5 years	8.56	8.58	11.26
16	Loans	15 years	9.37	9.38	10.93
17		25 years	9.58	9.59	10.75

Extra marketing costs for brand promotion could be found from productivity gains

Revised strategy holds back Reckitt

By Maggie Urry

A CHANGE in strategy towards more promotion of its brands and new product development held back 1992 profits at Reckitt & Colman, the household goods group.

Sir Michael Colman, chairman, said that despite difficult trading conditions the results "exhibited the strength of the brands behind this business which have held up remarkably well".

Pre-tax profits for the year to January 2 on the old accounting basis were slightly lower at £248.3m (£252.3m), although profits reported under FRS 3 were down sharply to £181.7m (£234m).

The FRS 3 figure included trading losses of £9.6m from the US spice and seasoning business. The £47.3m cost of selling it last summer hit profits as did a £9.6m reorganisation charge.

Sir Michael said the proposed increase in the final dividend to 10.25p would give a 7.3 per cent increase in the total to 16.2p (15.1p) reflecting the policy of consistent dividend growth.

He said the rise also showed the board's confidence in the revised strategy, although he admitted that the short-term effect would be to hold back profits.

Mr Vernon Sankey, chief executive, said extra marketing costs could be found from productivity gains and margins had been maintained at high levels. Operating margins from continuing businesses were 15.2 (15.1) per cent.

Group sales were £1.9bn (£1.99bn) although those from continuing business were virtually unchanged at £1.85bn. Operating profits from continuing operations were £281.7m (£280.7m) and total operating profits were £272.1m (£292.6m). Interest charges were £33.5m (£40.3m).

Earnings fell to 25.16p (37.9p) on an FRS 3 basis or 40.51p (41.76p) on SSAP 6.

Operating profits in the UK rose 2.2 per cent to £70.1m, with improved productivity raising margins from 18.8 to 19.7 per cent. In the rest of Europe profits fell from £79.1m to £71.6m as recession began to affect the business. North American profits fell 5.5 per cent to £39.6m as the costs of launching a new electric air freshener cut the margin.

Profits from Australasia and Asia fell from £42.3m to £40.6m, despite strong growth in south-east Asia. Profits from Africa rose by a third to £28.2m and from Latin America by 14.6 per cent to £21.7m.

Mr Iain Dobbie, finance director, said exchange rate moves had added £58.1m to its foreign currency borrowings, though the profit and loss account, which uses average rates, had hardly been affected. There should be a significant currency benefit this year.

● **COMMENT**

Reckitt's solidity is ideal in recessions. The new strategy, first outlined last year, appears sensible. And the conservatism of the management is comforting. However, unlike Colman's mustard, the shares are not going to light fires in investors' hearts for a while. Once the brand promotion strategy begins to come through to profits, though, the shares should do well, especially with the progressive dividend policy. Forecasts are in the £280m to £290m area, for a p/e of about 13.5.

Bemrose in £21m cash call to fund acquisition

By Paul Taylor

BEMROSE Corporation, the Derby-based security and promotional printer, yesterday announced a 1-for-2 rights issue at 265p to raise £21.1m.

The proceeds will be used to fund the acquisition of the outstanding 50 per cent of a US joint venture company, Bemrose Yattendon, and reduce the borrowings of the enlarged group.

The shares gained 17p to close at 343p yesterday.

At the same time, the company announced the acquisition for £4m of Barnard and Jackson, a leading UK diary manufacturer based in north London, and reported a 24 per cent increase in 1992 pre-tax profits, helped by "an excellent contribution from BYI."

Group pre-tax profits in the 53 weeks to January 3 increased to £6.26m (£5.06m), on turnover of £49.7m (£48.6m).

Earnings per share advanced by 22 per cent to 24.28p (19.87p).

The final dividend of 7.45p makes an unchanged 11.75p total for the year.

Under the terms of the proposed US deal, Bemrose will pay Yattendon Investment Trust an initial £11m for the stake in BYI and make a deferred cash payment of $2.5m (£1.76m) a year later.

In addition, Bemrose will consolidate BYI's net debt of $18.7m at the start of January.

BYI is a holding company for three US businesses involved in the supply of promotional products to the US specialty advertising industry. The businesses are Souvenir, Renaissance and Janesville. Last year the group posted pre-tax profits of $5.81m ($3.37m) on turnover of $64.9m ($59.5m).

Mr Rodger Booth, Bemrose's chief executive, said the acquisitions represented significant steps for the group. "We are pleased to increase our ownership of BYI to 100 per cent as the recovery in the US specialty advertising industry is emerging."

He added that "the acquisition of Barnard and Jackson will provide significant synergies when combined with our existing diary activities. Overall, prospects for the enlarged group in 1993 are encouraging."

The rights issue of 8.4m shares has been underwritten by SG Warburg.

Booker drops to £91m following catering setback

By Maggie Urry

BOOKER, the food distribution and agribusiness group, suffered its first fall in profits since 1980 with a pre-tax outcome for 1992 down from £103.9m to £91m. The shares fell 29p to 410p.

The bulk of the fall was caused by problems at Booker Fitch, the catering food service business, which made a small loss at the pre-tax level. It had taken on new business some of which was unprofitable, and had neglected its existing operations. Trading conditions were poor anyway as fewer people ate out.

Booker does not disclose profits for the activity, but analysts estimated that it made between £12m and £13m the previous year. New management has been installed and Booker is ending unprofitable contracts.

The food distribution division saw pre-tax profits fall from £57.2m to £46.9m. Agribusiness profits were little changed at £20.3m (£20.7m), while fish and prepared foods made £20.5m (£18.4m).

Mr Jonathan Taylor, chief executive, said that 1992 was "a good year to have behind us". He said the emphasis had been on cutting costs.

Although the pre-tax figure was in line with expectations, the market was surprised by a £23.7m (£31.9m) extraordinary debit and a rise in gearing from 71 to 95 per cent.

Group sales were £3.4bn (£3.3bn) and operating profits were £109.6m (£122.8m) boosted by profits of £4.4m from acquired businesses and including £5m (£1.7m) from discontinued businesses. Restructuring in the US, where the chicken and turkey breeding business lost significant market share, cost £12.9m, but this was offset by a £17.1m profit on sale and leasebacks.

Earnings per share fell 16.3 per cent to 30.4p (36.3p). A maintained final of 14.25p is proposed to give an unchanged total of 21.75p.

Under FRS 3 pre-tax profits were £67.9m (£63.6m) mainly because the extraordinary item moves above the line.

● **COMMENT**

Booker chose a bad day to release these results but even so it demonstrated once again its capacity to disappoint. A year ago forecasts had been for £115m pre-tax. There are some encouraging signs; a return to profits in the turkey and salmon businesses, good performances from the Portuguese cash and carry operation and the prepared foods side. But the main problem of poor trading conditions in UK food distribution combined with management errors will take some time to come right. Forecasts of about £98m suggest a p/e of 13, and the thinly covered yield is 6.6 per cent.

Caird falls 41% after difficult second half

By Angus Foster

Caird Group, the waste management company which released a profits warning last November, yesterday announced a 41 per cent fall in pre-tax profits, slightly below revised market expectations.

Caird, which on Wednesday announced the departure of Mr Peter Linacre, its controversial chief executive, said pre-tax profits fell from £6.87m to £4.04m in the year to December 31. Interim profits were up slightly at £3.15m (£3.11m).

The company said the second half of the year was difficult, with landfill sites affected by weakening prices. The specialist waste division performed satisfactorily in "recessionary" conditions.

Turnover fell to £19.3m (£26.2m) following disposals and lower revenues from landfill.

Earnings per share were 0.4p (4.76p). The directors are not paying a final dividend on the ordinary shares. As a result, the total for the year was 1.33p (2.7p).

After payment of interim and preference dividends, there was a retained loss of £994,000 (£10.6m).

Nationals help Utd Newspapers to £110m

By Raymond Snoddy

A STRONG performance by Express Newspapers helped lift United Newspapers to pre-tax profits of £110m in 1992.

Operating profit rose 14 per cent, from £104m to £119m, on sales of £832m (£819m).

Lord Stevens, United's chairman, said the improvement in operating profit reflected "an excellent performance in Express Newspapers and encouraging results elsewhere, most notably in regional newspapers, US advertising periodicals, Morgan-Grampian and PR Newswire."

The higher profit levels had been achieved despite "acute competition and poor trading conditions."

Operating profit at the group's national newspapers - the Daily and Sunday Express and the Daily Star - increased 36 per cent from £24.3m to £33m, helped by the relaunch of the Sunday Express as a tabloid.

Overall profit figures are complicated not just by the FRS 3 accounting standard, but also by disposals, closures and investments.

The £110m pre-tax figure, up from an adjusted £48.8m the previous year, also benefited from a net £10.4m from the sale of Reuters shares.

The 1991 figures included net exceptional costs of £28.8m relating to losses on the sale of businesses. The restatement reflects the altered treatment of goodwill.

Excluding all the exceptional items, pre-tax profit rose from £77.6m to £99.5m.

A 0.5p increase takes the final dividend to 14p and the year's total to 21.5p (21p). Earnings rose from 10.9p to 40.1p.

Mr Derek Terrington, publishing analyst at Kleinwort Benson, described the result as "good across the board." Given the degree of cost-cutting achieved the company seemed well placed for recovery.

Mr Terrington is looking for pre-tax profits of £110m next year, against £99.5m this time excluding exceptionals.

Mr Graham Wilson, group managing director, warned that any signs of economic recovery were patchy and specific to individual publishing markets.

The share price rose 17p to 588p.

Lucas sets up European component joint ventures

By Paul Cheeseright, Midlands Correspondent

LUCAS Industries yesterday moved to strengthen its position in European automotive components markets by announcing two joint ventures.

The first, with Sagem of France, is designed to expand gasoline engine management systems sales. Lucas, in addition to technical staff, is putting its Greenville, South Carolina, plant into the venture, while Sagem is transferring two French plants to create a company with £20m of assets and turnover of £50m.

Sagem will have management and equity control; Lucas will have a 30 per cent stake.

The other venture is with Autobrzdy, the Czech brakes company. Initially Lucas will have a minority stake, but expects to assume majority control after 1996, by which time it will have invested £9m in the joint venture.

Autobrzdy supplies brakes to Skoda, now within the VAG group, which is Lucas's biggest customer for braking systems. From the Lucas point of view, the joint venture keeps it close to a customer expanding into a new area.

Short-term truck rentals behind Dawsongroup leap

INCREASING demand for short-term truck rental helped Dawsongroup, the commercial vehicle concern, to multiply pre-tax profits more than four times from £1.13m to £4.75m last year.

Mr Peter Dawson, chairman and chief executive, said: "In recession, a large number of vehicle operators have sought to defer capital investment and long-term commitments by turning to short-term rental."

The group invested £10.5m in new equipment for the short-term fleet. Sales rose from £43m to £46.7m.

Rentals increased pre-tax profits from £982,000 to £4.2m on the back of new contracts from companies no longer interested in long-term contracts.

The commercial vehicles division increased pre-tax profits from £144,000 to £534,000. Sales rose only marginally and a large part of the increase represented additional trucks sold to the group's rental division.

Group operating profits rose from £6.26m to £8.99m. Net interest fell to £4.2m (£5.1m).

Earnings per share increased to 10.4p (2.7p). The final dividend is raised to 2.25p for an increased total of 3p (1.5p).

MAI looks set on Intrum Justitia as holding is increased to 17.4%

By Peggy Hollinger

MAI, the financial services and media company headed by Labour peer Lord Hollick, appears to have set its sights on Intrum Justitia, Europe's largest debt collection agency, as its next takeover target.

MAI announced yesterday that it had increased its holding in the Dutch-based, but UK quoted, company by 1.3 per cent to 17.4 per cent.

Intrum's shares were steady yesterday at 88p. The market has been speculating for some time on MAI's intentions towards Intrum.

However, any bid attempt would have to receive the backing of Mr Bo Goranson, Intrum's chief executive, who owns more than 30 per cent of the group.

Earlier this month, Intrum announced a 26 per cent rise in pre-tax profits to £16m. Net borrowings were reported at £16.6m, for gearing of 27 per cent.

Mr Goranson has said that the group, which has been acquisitive in recent years, now intended to consolidate. Half of its sales are generated in Scandinavia, while the UK provides some 29 per cent of turnover.

MAI recently announced a 12 per cent advance in interim pre-tax profits to £33.9m.

Drayton Asia withdraws its reconstruction proposals

By Philip Coggan, Personal Finance Editor

THE BOARD of Drayton Asia, the Far East investment trust, is dropping the reconstruction proposals it formulated in an attempt to defeat a bid from EFM Dragon Investment Trust.

Drayton Asia said it had abandoned the proposals because CIN, the manager of the British Coal Pension funds, had said it would vote against the plans. CIN also has a 20.1 per cent stake in Drayton Asia; the proposals would have needed 75 per cent approval. CIN also has a 20.8 per cent stake in EFM Dragon and a controlling interest in Edinburgh Fund Managers, which runs the rival trust.

Drayton said it invited EFM Dragon to participate in its proposals and explore ways of modifying them to offer shareholders the option of receiving Dragon shares and cash. Dragon rejected the approach.

The Drayton proposals would have offered shareholders a choice between a unit trust and a new split capital investment trust.

Mr Ratan Engineer, chairman of Drayton Asia, said "shareholders should continue to reject the bid until they are offered at least a suitable cash alternative."

However, Mr Iain Watt of EFM Dragon, said that Drayton was in "complete disarray".

Thomas Cook surges to £25m

By Paul Taylor

THOMAS COOK, the German-controlled travel agency which played a decisive role in helping Owners Abroad defeat a hostile takeover bid from Airtours earlier this month, yesterday announced a significant recovery in profits for 1992.

Pre-tax profits were £25.3m, against £6.9m depressed by the Gulf war. Turnover increased 13 per cent to £486.5m (£429.6m) with international activities growing by 15 per cent while the UK side gained 12 per cent.

The recovery was led by strong contributions from the leisure travel and foreign exchange businesses.

Wolstenholme Rink rises 49%

Wolstenholme Rink, the printing industry supplier, reported pre-tax profits for 1992 up 49 per cent, from £2.32m to £3.46m.

Turnover slipped from £53.4m to £49.9m.

The Lancashire-based company, which also makes metal powders, said business remained difficult in the UK but widespread export sales and the inclusion of PCO, acquired at the end of 1991, had helped.

Earnings per share increased 43 per cent to 29.3p (20.5p). The proposed final dividend is 10.5p for a total of 17p (16.3p).

Gearing was reduced from 50 per cent to 29 per cent at the year-end.

The share price gained 10p to close at 453p.

Sharp decline at BNB Resources

BNB Resources, the recruitment, training and advertising group, returned a 73 per cent fall in pre-tax profits to £712,000 for 1992.

Mr David Norman, chairman, blamed a rise of £1m in rental costs and a reduction of £1.2m in bank interest income. Barker's regional communication side lost £446,000.

The core advertising business increased profits by 19 per cent to £2.46m despite volume decline in the market, said Mr Norman who expects stabilisation, if not growth, in UK demand this year.

Turnover was up to £62.9m (£54.9m). A final dividend of 3.3p is proposed for a maintained total of 4.9p uncovered by earnings per share of 3p (8.3p).

Headline Book advances 68%

Pre-tax profits at Headline Book Publishing climbed 68 per cent from £1.22m to £2.05m in 1992.

Mr Tim Hely-Hutchinson, managing director, said it had been a difficult year. Sales in 1993 had started better than expected, rising between 1 per cent and 2 per cent on the previous year.

Operating profits rose to £2.03m (£1.24m), including £354,000 from the Bookpoint acquisition. Group turnover increased 40 per cent to £15.7m (£11.3m), with Bookpoint contributing £1.7m.

Earnings per share rose 47 per cent to 11.9p (8.1p) and a proposed final dividend of 3p gives a total of 4.5p (3p).

The figures were prepared under FRS 3. The reported 1991 pre-tax figure was £1.3m.

British Alcan cuts losses as reorganisation costs fall

By Kenneth Gooding, Mining Correspondent

ANOTHER 1,100 jobs were lost at British Alcan Aluminium and capital investment was cut savagely last year as the group struggled to cope with the worst aluminium industry conditions in living memory.

The pre-tax loss was reduced from £45.6m to £15.9m after charging sharply lower reorganisation and plant closure costs of £4.6m (£29.6m).

British Alcan, a subsidiary of Alcan of Canada, generated a positive cash flow, which enabled debt to be reduced from £192.3m to £184.1m.

Cost reduction measures had provided more than £40m of annual savings and productivity gains, said Mr Douglas Ritchie, chairman.

However, the outlook for 1993 was "difficult for the whole of the aluminium industry, including British Alcan. Measures to return to profitability are having success, but it is difficult to see a return to the profit levels experienced in 1987 and 1988 without a significant upturn in economic activity and aluminium prices."

The workforce fell from 9,511 to 8,324 last year. When the group was formed in 1982 by a merger of British Aluminium and Alcan Aluminium it employed 14,000.

Turnover rose to £756m (£731m) while aluminium sales volumes were up by 15 per cent to 333,400 tonnes. Export sales advanced by 20 per cent to £275m.

North Sea Assets down

Reduced demand for drilling support services meant pre-tax profits of North Sea Assets slipped from £2.08m to £1.95m in 1992.

Turnover dropped to £31.6m (£29.1m). Earnings per share were 3.33p (4.16p), and the dividend is 1p (0.75p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleyard ....fin	2.6	May 13	5.2	5.2	7.8
APV ....fin	3.4	June 11	3.4	5.4	5.4
Arnotts ....fin	5.25‡	June 25	5.25	7.5	7.5
Bemrose ....fin	7.45†	June 4	7.45	11.75	11.75
Bensons Crisps § ....fin	2.15	May 14	2.15	2.85	2.85
Beradin Holdings ....fin	1.1	Apr 23	0.55	1.1	0.55
BNB Resources ....fin	3.3	May 28	3.3	4.9	4.9
Booker ....fin	14.25	July 1	14.25	21.75	21.75
Boots ....int	8.8✝	Mar 31	8.1	13.4	12.4
Caird ....fin	nil	-	1.37	1.33	2.7
Canning (W) ....fin	4.35	July 1	4.35	7.29	7.29
Capital Radio ....int	1.75♥	Apr 5	1.75	-	5.25
Clark (Matthew) ....int	6.75♥	Apr 5	6.5	-	15.75
Clarkson (H) ....fin	1	-	5.25	1.5	8
Community Hosps ....int	2.4	Apr 5	2.4	-	6.5
Dawsongroup ....fin	2.25	June 25	1.5	3	1.5
Headline Book ....fin	3†	May 14	2.5	4.5	3
Helical Bar ....int	2.4✝	Apr 2	1.6	4.8	4
Henlys ....fin	2	Apr 30	2	3	3
Laing (John) ....fin	6	June 11	6	9	9
Laird ....int	6.3✝	Apr 5	6.2	10.5	10.2
LGW § ....fin	1.875	May 6	nil	3	nil
Maunders (John) ....int	2.3	Apr 30	2.3	-	4.95
Morrison (Wm) ....fin	0.64	May 28	0.53*	0.8	0.67*
Murray Ventures ....int	3.4	May 24	3.4	-	10.3
North Sea Assets ....fin	1	May 14	0.75	1	0.75
Oliver ....fin	nil	-	nil	nil	1.07
Pittard Garnar ....fin	1.5	May 13	1.5	2	1.5
Plasmec § ....fin	2.25	July 1	1.5	3.75	2.5
PowerGen ....int	7.15✝	Mar 31	6.2	10.5	9.25
Reckitt & Colman ....fin	10.25	July 6	9.55	16.2	15.1
Redland ....fin	16.75	July 1	16.75	25	25
Reed Intl ....int	7.25✝	Apr 5	10.75	12.75	16
Reuters ....int	15.9✝	Apr 5	12.3	21.2	17
Slough Estates ....fin	5	-	7.15	8.1	11.55
Thorpe (FW) ....int	0.8	Apr 5	0.8	-	2.5
Trafford Park ....int	0.85	May 14	0.85	-	2.575
Utd Newspapers ....fin	14	July 1	13.5	21.5	21
Wolstenholme ....fin	10.5	June 2	10	17	16.3
Woodchester Invs ....fin	2.69‡	May 20	2.24	4.5	3.75
Wellcome ....int	4.8	July 1	4	-	13

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. §USM stock. ‡Irish pence. ✝Second interim in lieu of final. ♥Payment date brought forward.

Vauxhall record result bucks trend

By Kevin Done, Motor Industry Correspondent

VAUXHALL, the UK subsidiary of General Motors of the US, more than doubled 1992 operating profits from £128.4m to a record £269.1m.

The result was achieved despite the deep recession in the UK new vehicle market and when Ford of Britain and Rover suffered continuing losses and Peugeot Talbot's pre-tax profits fell by 80 per cent.

However, Vauxhall has been forced to implement short-time working at both its assembly plants this year for the first time since 1982 in response to a steep fall in demand from continental European markets.

Mr William Ebbert, chairman and managing director, warned market conditions in Europe were worsening and that there was "little hope of being as productive and profitable" in 1993 as last year.

The Luton assembly plant has been working a four-day week with output cut by about 15 per cent since the beginning of January, and the Ellesmere Port plant has been forced to implement four-day working since the beginning of March.

Mr Ebbert forecast an increase of about 7 per cent in the UK new car market this year to 1.7m but warned that overall west European new car sales could fall by more than 1m units or about 8 per cent to 12.3m in 1993.

Pre-tax profits rose by 69 per cent to £223.7m (£132.6m) on turnover ahead 16.5 per cent to £3bn (£2.57bn). The pre-tax figure was struck after currency losses of £18.9m incurred in the wake of the devaluation of the pound last September and a £28.8m write-down on Vauxhall's holding in Avis Europe, the car rental group. Vauxhall holds the parent company's 28.5 per cent stake in Cilva Holdings, the holding company for Avis Europe.

However, there were no significant launch costs during the period and increased materials purchasing in the UK had helped contain costs.

The results were boosted by record vehicle production at both assembly plants, with output rising by 15 per cent to 301,857. Exports, which only began in significant volumes in 1990, rose by 8 per cent to 111,700 and accounted for 37 per cent of output.

New car sales in the UK rose by 7 per cent to 266,072, gaining a record market share of 16.7 per cent, compared with 15.6 per cent. The improvement included the success of the new Astra range, which was launched in late 1991.

There was a marginal increase in the overall UK new car market of only 0.1 per cent.

Productivity rose by 8 per cent with the assembly plants, which operated at full capacity last year, having a cost advantage of more than 15 per cent against GM's continental European plants and achieving the same quality levels.

APV dips to £21m and warns on first six months

By Andrew Bolger


Clive Strowger: extensive restructuring to increase margins

SHARES in APV fell 11p to 101p after the food processing equipment specialist announced a drop in profits and warned that pressure on prices would affect its results for the first half of this year.

Pre-tax profits fell from £26.7m to £21.1m in the year to December 31, on sales up by 8.4 per cent to £947m. APV sells about 80 per cent of its products overseas and suffered from generally poor economic conditions worldwide.

The profit figure was depressed by an exceptional charge of £6.3m. The net profit on disposal of discontinued operations, less amounts provided for losses on operations to be discontinued, was £13.7m. In addition, £20m was charged in respect of ongoing business reorganisations.

Mr Clive Strowger, appointed chief executive in June, has started extensive restructuring to focus the group and increase profit margins. The balance sheet was strengthened by the £56m sale of Vent-Axia, its fans and hand drier business, to Smiths Industries in December.

APV's workforce fell by 1,000 to 11,600 at the year end, not counting the 400 employees who moved with Vent-Axia. That disposal and reductions in working capital helped cut gearing from 42 to 12 per cent.

Mr Strowger said the group had been reorganised to align its businesses more closely with customers and markets. It would also seek to broaden its customer base more towards industrial sectors.

Sir Peter Cazalet, chairman, said: "We enter 1993 with orders 9.3 per cent lower than a year ago but the board is confident that good progress is being made with repositioning the group for future profitable growth.

In spite of a drop in earnings per share from 5.4p to 3.4p, the final dividend is held at 3.4p to maintain the total at 5.4p.

● COMMENT

The new management team have a big job on their hands, but seem to be setting about it with a will. APV made a lot of acquisitions in the eighties, but did little to integrate the businesses – or even impose uniform financial reporting. In spite of strong market positions and sales, the group has seen profits melt away as recession increased pressure on prices. These figures were at the low end of expectations, and the share price also responded to the group's caution over the immediate trading outlook. Forecast profits of £27m put it on a multiple of 17.5. APV continues to be seen as a candidate for takeover – but that should support its share price, as will the group's strong recovery potential and determination to maintain the dividend, giving a high yield.

Community Hospitals downturn

By Peggy Hollinger

INTEREST charges depressed pre-tax profits at Community Hospitals Group, the private hospital and nursing home company, from £2.68m to £1.86m for the six months to December 31.

Mr Alan Dexter, chief executive, blamed the conjunction of two events: the completion of two large developments resulting in higher interest and a fall in hospital revenues.

Completion of the developments resulted in a charge to the profit and loss account of previously capitalised interest. Charges were £865,000, against a previous gain of £154,000.

In January the group spent £5m to acquire three nursing homes.

The "best view" of profits for the full year showed a range of £6m to £6.5m, against £6.8m in 1992.

The continuing care division raised operating profits from £540,000 to £660,000 in the first half while the hospital division reported static profits at £2.1m. Group turnover was £22.8m (£19.3m).

The interim dividend is maintained at 2.4p, payable from earnings of 4.3p (6.2p) per share.

Wm Morrison up 34% and looks south

By Neil Buckley

WM MORRISON Supermarkets, the Bradford-based grocery retailer, yesterday announced a 34 per cent rise in pre-tax profits to £83.8m and indicated that it might expand southwards.

Mr Martin Ackroyd, finance director, said the company, which has 59 superstores in northern England, was searching for a new warehouse which could service its existing outlets, but also allow Morrison to widen its trading area.

"We are unlikely to go further north, and that means we are interested in going further south."

The southwards move would be limited at first, but in later years expansion plans were limited only "to the mainland."

Pre-tax profits for the year to January 30 rose from £62.6m to £83.8m, on turnover up 18 per cent to £1.32bn (£1.12bn).

Like-for-like sales increased 4.6 per cent, and the net operating margin improved from 6.1 per cent to 6.4 per cent for the year, in spite of a fall to 5.8 per cent at the interim stage.

Profits were also boosted by interest received of £3.9m, against a £3.8m charge previously, thanks to the £98m rights issue in November 1991.

Earnings increased to 7.23p (6.16p) fully diluted and 7.71p (6.59p) basic. The increased final dividend of 0.64p raises the total to 0.8p (0.67p).

Mr Ackroyd said staff costs and overheads rose broadly in line with sales, but the depreciation charge increased £6.2m to £23.3m.

Some £1.1m of the increase was accounted for by the policy, adopted last May, of depreciating freehold land assets. This recognised that the alternative use value of sites might be much less than their food retailing value.

Morrison, recently named top-performing company by the Institute of Directors, opened six superstores last year at Beverley, Walsall, Mansfield, Oldham, Kendal and Lincoln.

It is adding new space as a percentage of its total selling area at a faster rate than any of its bigger national rivals.

● COMMENT

The news that Morrison may move south is cause for alarm for the bigger national chains. The company's refusal to pay more than a fraction of what its competitors hand over for new sites has allowed it to match them in its service and merchandising range, but undercut them in price. It also allowed the company to expand its sales base last year by 12 per cent, with only a £3m cash outflow. A resurgent Asda, which has a similar selling proposition and competes in the same areas, could be a threat, but Morrison has scope to reduce prices further if necessary. With current-year profits forecast at about £100m, the shares are on a prospective multiple of 18.3 – a big premium to the sector, but Morrison offers the fastest profit growth.

Pittard hit by higher sheepskin prices

By Peggy Hollinger

SHARPLY HIGHER sheepskin prices hit profits at Pittard Garner, the leather company, which yesterday reported a 16 per cent drop at the pre-tax level to £1.76m for the year to December 31.

Mr David McDonald, chairman, said the price of sheepskins had almost doubled between September and December. This was partly due to the effects of devaluation which made UK sheepskin more attractive to foreign buyers, consequently driving up the price. He said, however, there would be a benefit from devaluation in the current year.

Sales in the year fell just 1 per cent to £96.8m. However, after the disposal or closure of the fellmongery and tanning businesses, continuing operations showed a 5 per cent growth in turnover.

Having warned at the interim stage that trading would be difficult, Mr McDonald said second half profits had been "a disappointing setback".

The clothing and chamois division had suffered operating losses of about £900,000 amid weak demand. Nevertheless, Pittard was committed to this division in the long-term, he said.

The gloving division increased sales and operating profits by 10 per cent on the back of better overseas sales.

The shoe and leather goods operation showed a 25 per cent increase in profit, although Mr McDonald said 1991 had been depressed by losses from the tanning business, now closed. On a comparable basis profits were maintained at similar levels.

The final dividend is held at 1.5p, for a total of 2p (1.5p). Earnings fell from 6.4p to 4.7p per share.

Woodchester declines to I£35m despite purchases

By Tim Coone in Dublin

THE RECESSION in the UK and last autumn's ERM crisis were the principal causes of an 11 per cent fall in 1992 pre-tax profits from I£39.6m to I£35.4m (£35.6m) at Woodchester Investments, the Dublin-based leasing and banking group.

The results were in line with market expectations for the company, in which Credit Lyonnais has a 48.7 per cent holding.

Over the year the asset base rose 25 per cent to I£1.4bn (I£1.12bn) and the deposit base 65 per cent to I£571m, largely as a result of the March 1992 acquisition of UDT First Southern Bank.

Analysts estimated that bad debt provisions have only marginally risen from I£15m to about I£17.5m, a far better performance, they say, than many leasing companies in the UK, which have been badly hit by recession.

An estimated I£2.5m was incurred in hedging costs during the last quarter as short-term interest rates soared during the ERM crisis and the punt came under pressure following sterling's devaluation.

The funding base comes largely from corporate deposits at one-month rates, while the group had hedged at longer rates of three and six months, analysts say.

A similar loss is estimated for the first part of 1993, before the crisis ended with the punt's devaluation.

Earnings per share were 15.1p, compared with 17p last time.

A final dividend of 2.69p (2.24p) is recommended for a total increased from 3.75p to 4.5p.

Trafford Park rises

Trafford Park Estates, the property group, improved pre-tax profits from £1.62m to £1.74m in the half year to December 31 1992. Turnover declined to £4.87m against £4.95m.

Earnings per share amounted to 1.72p (1.672p) and the interim dividend is held at 0.85p.

COMPANY NEWS: UK

John Laing recovers to £11.6m

By Andrew Taylor,
Construction Correspondent

DESPITE A £21.4m provision and poor trading conditions in the UK housing and construction markets, John Laing bounced back into the black last year.

Pre-tax profits of £11.6m compared with a £65.3m loss in 1991 when write-downs were even higher at £87.8m

Operating profits rose 41 per cent to £30.1m (£21.4m) despite a fall in sales to £1.27bn (£1.59bn).

A maintained final dividend of 6p makes a same-again total for the year of 9p, just covered by earnings of 9.44p (losses of 57.4p).

The shares dipped 3p to 235p on concern that the good results from the UK contracting division were unlikely to be repeated in the current year.

Construction profits rose from £21.8m to £25.1m despite a 24 per cent fall in divisional turnover to £1.08bn (£1.42bn).

Mr Martin Laing, chairman, said the group had benefited from payments for higher margin contracts won before the UK construction market became more difficult. These included payments for work on the new Sizewell power station in Suffolk.


Tony Andrews
Martin Laing: rise of 35 per cent in net reservations

Overseas construction profits, mostly from the Middle East and south-east Asia, rose from £3m to £5m on increased turnover of £40m (£30m).

Housing operations also returned to profit, with £4.8m after a £2.8m loss in 1991. The improvement was due to an increase in the number of homes sold, from 1,670 units to 2,175 units in the UK, and better margins following previous land write-downs and as more expensive land bought in the late 1980s has been used up.

Mr Laing said the company had seen a 35 per cent rise in net reservations in the first three months of this year compared with the corresponding period last year. Margins and selling prices, however, remained weak.

● **COMMENT**

Contracting profits are likely to more than halve this year as the UK construction cycle moves against this group and as order books have fallen. Laing, however, should benefit from rationalisation following a 25 per cent reduction in staff in the construction division. Margins on contracts remain better than most UK builders and civil engineers can boast. Housing profits should be at least as good as in 1992 and could be better if the market continues to improve and prices start to harden. Profits of £17m would put the company on a prospective p/e of more than 16. On this evidence it remains one of the best contractors around but in a weak construction market.

Domino shares fall 44p on warning

By Catherine Milton

THE SHARE price of Domino Printing Sciences, a manufacturer of ink-jet printers, yesterday fell 44p to 552p as the company issued a warning about its interim profits.

It said sales growth had been insufficient to cover the cost of investment, mainly in the US.

Mr Howard Whitesmith, managing director, said operating costs in the six months to end-April 1993 would exceed operating costs of £12.8m in the second half of 1992.

He said, however, that profits would recover by the year end.

However, "unexpectedly slow" sales in the US in the first three months and sluggish business in Germany and the Netherlands meant sales would not outweigh "planned investments".

Domino's share price has climbed 53 per cent over the past year. Gearing at the October 31 year end was 3.32 per cent and the net asset value was £48.2m.

The group reported pre-tax profits of £11.9m on turnover of £71.6m in 1991-92 with profits for the half year ahead 32 per cent at £4.54m.

● Linx Printing Technologies, a smaller competitor in the industry, confirmed the increasing value of markets outside the US and Europe. It said sales within that area had more than doubled in the six months to end-December 1992.

The warning comes against a background of analysts' fears that growth will slow significantly in the industry because of a loss of the impetus generated in the 1980s by changes in EC consumer laws on such markings as sell-by dates.

Second-half drive helps Henlys cut loss by £6m

By Jane Fuller

HENLYS GROUP, the car and bus business which last summer escaped a hostile £32m bid from its rival T Cowie, reduced pre-tax losses by £6m to £848,000 over 1992.

After losing nearly £900,000 in the first half, the group fulfilled its bid-defence promise that it would break even in the second half.

It also carried out its plan to pay an unchanged dividend of 3p by maintaining the 2p final. This was in spite of losses per share of 3.3p (16.7p).

Henlys, which did not report under the new FRS 3 accounting rules, took an extraordinary charge of £1.23m mainly for defence costs. Cowie retains a 9.9 per cent stake.

At the operating level the group advanced to a £3.8m profit (£556,000) on turnover of £331.1m (£334.4m). This included £1.04m in fees for management consultants. Exceptional costs were cut by nearly £2m to £950,000, which related to teething problems on new bus and coach ranges at the Scarborough factory.

The Plaxton coach and bus division has been the source of the group's problems. Last year the division cut operating losses to £1.97m (£2.95m) on sales of £65.9m (£93.4m).

Mr Robert Wood, chief executive, said the UK market for luxury coaches had declined from 1.4m in 1989 to 600,000 last year. The group had been left with £32m of unsold vehicles when the market collapsed in 1990.

After closures and other cuts which would reduce annual costs by £5m, the division was expected to return to profit this year.

Motor retail pushed up operating profit to £5.8m (£3.5m) with the help of acquisitions. The group represented 14 manufacturers on 24 sites.

Net debt fell by £4m to £26.4m, gearing of 58 per cent, after an inflow of £2.5m from disposals.

Property profit helps to keep Appleyard £1.7m in the black

By Jane Fuller

PROFITS OF £2.4m on a property deal and the sale of spare advanced corporation tax capacity kept Appleyard Group, the motor dealer, in the black last year when pre-tax profit slipped from £1.81m to £1.71m.

The group halved its final dividend to 2.6p, making a total of 5.2p (7.8p), which was not covered by earnings of 2.3p (2.5p).

After dipping into reserves for the second year running, the retained loss was £1.37m (£2.49m).

Turnover fell to £305m (£390m) reflecting the sale of Ford dealerships and petrol stations in 1991.

Mr John Atkin, business development director, said ongoing sales were slightly down.

Operating profit declined to £3.43m (£5.81m) including property profits of £1.37m (£1.58m).

Ian Skelly, bought for £18.3m in 1989, incurred losses.

Mr Atkin said it had run out of VW Golfs early in August, the crucial selling month. He blamed the importer, which was then Lonrho. The manufacturer has since bought out the agreement.

Skelly's large sites had also been particularly vulnerable to recession. A hundred jobs had been shed and other overheads cut.

The car leasing joint venture with Barclays Bank contributed £1.9m (£530,000), although this included £1.01m from the sale of spare ACT capacity.

Net debt fell to £12.5m (£14.1m) and interest costs came down to £3.61m (£4.54m). The group also has off balance sheet borrowings in the leasing joint venture.

● Appleyard also announced the acquisition of a Mercedes-Benz dealership in Reading for £2.3m. This would be paid for by a £4.15m sale and leaseback deal on sites at Gateshead and Oxford.

BAA sells electrical distribution networks

By Paul Betts,
Aerospace Correspondent

BAA, the privatised British airports operator, has sold for £90m the electrical distribution networks of its three London airports, Heathrow, Gatwick and Stansted, to London Electricity.

The sale is part of BAA's strategy of concentrating on its core airport skills, Sir John Egan, the chief executive, said yesterday.

The transaction will not have any material effect on BAA's trading profits, but the company said it would significantly improve its debt position and help in the funding of large capital projects.

BAA recently filed a planning application for the construction of a fifth terminal at Heathrow expected to cost between £800m and £900m.

Under the terms of the sale, London Electricity will acquire the high and low voltage electricity distribution cables and associated electrical equipment of the three airports.

The utility will also take over responsibility for the operation and maintenance of the systems in return for an annual fee which has been set at £13.5m for the first year. The fee will increase in future years depending on inflation and demand.

BAA said it had invited its staff who currently run the networks to become employees of London Electricity.

The airport operator also added that its customers, including airlines, baggage handling companies and retailers, will not be affected by the change of ownership. They would not face any increase in their electricity charges and would continue to buy their electricity through BAA.

NEWS DIGEST

Increased deficit at Oliver

THE OLIVER Group, the footwear retailer, reported increased pre-tax losses of £12.6m for 1992, compared with £10.7m. Turnover fell from £84.9m to £82.1m.

There was an exceptional charge of £6.92m (£5.29m), including reorganisation and revaluation costs. Losses per share came out at 49.27p (39.43p).

Action taken to dispose of loss-making shops and to cut costs contributed to achieving break-even trading in the second half with sales improving significantly in the final quarter.

Bensons Crisps

Although second-half profits were marginally better than last time, Bensons Crisps recorded halved pre-tax results of £500,000 in the year ended November 30.

However, sales of this USM-quoted maker of snack foods rose by 26 per cent to £33.2m, reflecting both organic growth and the first full year of the retail van sales division formed by a series of acquisitions.

Earnings per share were 5p (9.8p) and the recommended final dividend is again 2.15p for an unchanged total of 2.85p.

LGW

LGW, the USM-quoted marketing services and luxury goods group, continued the progress seen in the first six months to report 1992 pre-tax profits of £832,000, against £77,000.

The company said that it had made a promising start to the present year.

Turnover improved slightly to £13.5m (£13.3m). Earnings per share were 10.2p (0.8p). A final dividend of 1.875p is recommended for a total of 3p.

John Maunders

With turnover down 6 per cent at £25.2m, pre-tax profits of John Maunders Group, the housebuilder, fell sharply from £2.19m to £1.46m in the six months to December 31.

Earnings per share were 3.98p (5.97p) and the interim dividend is maintained at 2.3p. Gearing at the half year stood at 38.7 per cent (22.2 per cent).

Murray Ventures

At the end of the six months to January 31 net asset value at Murray Ventures climbed back to 312p against 286.2p at the end of the previous 12 months and 315.8p in the comparable first half.

An unchanged interim dividend of 3.4p is payable on earnings per share of 6.87p (5p).

FW Thorpe

The start-up costs of Compact Lighting left interim pre-tax profits at FW Thorpe, the lighting equipment company, down at £402,000, against £630,000. Turnover for the six months to December 31 rose from £6.93m to £7.54m.

Earnings per share came out at 2.11p (3.4p) and the interim dividend is unchanged at 0.8p.

Beradin

Beradin Holdings, the rubber and palm oil producer, doubled its dividend to 1.1p after reporting a jump in 1992 pre-tax profits from £221,650 to £476,175.

The company said that average palm oil prices during the year were about 15 per cent above 1991 levels and firmness had continued into 1993.

Sales advanced to £1.02m (£617,556) and estate profit rose to £510,671 (£214,323). Earnings per share came through at 1.69p (0.74p).

Sheldon Jones

Sheldon Jones, the USM-quoted pet foods and garden and timber products distributor, cut its loss from £912,000 to £764,000 in the six months to December 31. Turnover was higher at £6.55m, against £6.29m.

The figures have been prepared in accord with FRS 3. Last year's reported pre-tax loss was £663,000.

Losses per share came out at 14.77p (16.41p).

Sphere Inv Trust

Sphere Investment Trust reported net assets per zero dividend share up 13 per cent from 66.7p to 75.6p at the end of 1992, and a 17 per cent rise from 20.9p to 24.4p per income share.

Net available earnings increased from £4.28m to £4.75m, representing 3.92p (3.53p) per share. A total dividend of 3.1p (3.87p) has already been paid for 1992 and this is expected to be at least maintained this year.

Cornhill Insurance

Cornhill Insurance, the UK offshoot of Allianz, returned to the black in 1992 reflecting reduced underwriting losses.

Pre-tax profits amounted to £3.1m, against an "unprecedented" loss last time of £39.5m. The solvency ratio, on a market value basis, rose to 46.1 per cent (39.2 per cent).

Premium income from general business jumped to £619.9m (£595.2m) with underwriting losses down from £102.1m to £66.2m. Overall, general business recorded profits £200,000 against losses of £37.9m.

P&P/Merisel

P&P has announced an agreement with Merisel (UK) covering the disposal of its high volume, low margin distribution business, P&P Distribution.

The agreement includes the transfer of stocks and sales related information, along with assistance in transferring certain supplier distribution franchises from P&P to Merisel.

Raglan Property

Raglan Property Trust has announced proposals for a capital restructuring which involves raising £7m of new equity and the conversion of £3.05m of debt to equity by principal creditors. Remaining debt will be paid from the proceeds of the share issue.

Under the restructure each share will be divided into one ordinary share of 0.01p and one deferred share of 0.99p. Every 100 resulting ordinary shares will be consolidated into one ordinary 1p share. The deferred shares and the company's share premium account will be cancelled.

The £7m of new equity will be raised through the issue of 700m new 1p shares.

The offer, through NM Rothschild, will involve up to 233m shares on the basis of 1.3257 new shares for every existing share.

Dalepak shares fall 24% on profits warning

By Maggie Urry

Dalepak Foods, the frozen foods and ready meals group, yesterday warned that trading conditions had worsened since its interim results in January. The shares fell from 264p to 201p.

Even in January the company was expecting full-year profits to be down. Interim pre-tax profits fell from £1.7m to £1.6m.

Yesterday it said profits would be "significantly below market expectations" and analysts are now looking for profits of about £2.2m compared with £3.9m in the year to end-April 1992.

Mr Chris Ivory, chief executive, said there had been "further substantial increases in the cost of raw materials, especially beef." Beef prices were up by 25 per cent on a year ago and by 15 per cent since January.

He said price increases were not being fully passed on to supermarkets. Margins were squeezed as trading volumes were low and supermarkets concentrated on price promotions and lower priced foods.

However, Mr Ivory said the balance sheet was strong and Dalepak expected to maintain its total dividend at 6p for the year to April. The group said it remained confident about long-term prospects.

Canning falls to £4.5m after poor final quarter

By Paul Cheeseright,
Midlands Correspondent

W CANNING, the Birmingham-based speciality chemicals and electronics distribution group, saw profits fall again last year to reach about half of the levels of 1989 and touch the bottom of the recessionary cycle.

Pre-tax profits in the year to December 31 were £4.48m compared with £5.72m. This translated into earnings per share of 8.2p, down from 12.2p.

Although this covered dividend payments – maintained at 7.29p after a final of 4.35p – the costs taken below the line of closing the Spanish electronics business meant that for the second year running Canning had to dip into reserves to give shareholders a return.

Mr David Probert, chairman, said that the group had expected increased 1992 profits until a sharp downturn across the business in the final quarter.

He described Canning's second half as "one of the most difficult periods of trading in its long history."

This led to a £3m reduction in turnover to £114m.

The effect of sterling's devaluation was marked on the balance sheet. Foreign borrowings, which had been matched against foreign assets, increased in sterling terms and gearing rose to 62 per cent, against 57 per cent at the end of 1991. However, gearing is set to decline by 19 percentage points when the group draws in £4.75m on April 2 from the sale of a French adhesives tapes company.

The immediate outlook is more encouraging. There are signs of an upturn in the UK and chemicals demand from south-east Asia is increasing as exports obtain a competitive advantage from sterling's devaluation. But the important French and German markets are sluggish and the demand for electronic components is flat.

Canning has been re-positioning its business. Investment this year will be on the chemicals side and there are not expected to be any chemicals disposals, possibly foreshadowing the group's departure from electronics distribution.

Exploration costs cut Monument Oil

By Deborah Hargreaves

MONUMENT OIL and Gas, the exploration and production company, reported an after-tax profit of £4.1m for the 12 months to December 31, down from £6.5m in 1991, as it continued to fund high exploration costs and pre-development work on the Liverpool Bay project.

The company has secured £10m in debt funding for pre-development work on the Liverpool Bay oil and gas fields which are estimated to contain 1,000bn cu ft of gas and 200m barrels of oil. The development is dependent on construction by PowerGen of the Connah's Quay power station in Clwyd which has been delayed by the government's energy review.

Mr Tony Craven-Walker, chief executive, said that further delays affecting the project, "will act as a disincentive for future investment in energy related projects with accompanying loss of jobs."

Turnover improved slightly to £38.8m (£38.6m). Earnings per share slipped from 0.99p to 0.62p.

Bupa off sick list with £36.5m

By Alan Pike,
Social Affairs Correspondent

BUPA, Britain's biggest private healthcare group, which has been reorganising under a new management team since losing £38.2m in 1990, yesterday reported a 1992 pre-tax surplus of £36.5m, against £1.3m last time.

"We are off the sick list and much, much stronger," said Mr Peter Jacobs, chief executive.

Bupa, a provident association, is Britain's biggest health insurer and private hospital operator with nearly half the insurance market and 30 hospitals with 1,900 beds.

Reserves rose from £311.8m in 1991 to £349.1m last year, in spite of a property revaluation which led to a £14.4m decrease in reserves in 1992.

The insurance side's solvency ratio rose from 39 per cent in 1991 to 44 per cent last year. The UK health insurance operations, which lost £26.7m in 1991, managed a small £1.7m profit.

FINANCIAL TIMES SURVEY

BANGLADESH

Friday March 26 1993

Still on probation with the big lenders; mixed climate for investment: Page 3

Survivors of the hurricanes rebuild their lives; jute growers' dilemmas: Page 4

Bangladesh, one of the world's most aid-dependent democracies, has been meeting economic targets set by the international lenders. But it has a long way to go alleviate its people's poverty and to revitalise its inefficient state industries, writes Khozem Merchant

Poverty and democracy

TWO years after its first free elections, Bangladesh's fragile transition to democracy is holding firm. Prime minister Khaleda Zia, the country's first democratically-elected ruler, can boast substantial progress in economic reforms and, after three bumper crops, near self-sufficiency in foodgrains.

Though this represents a remarkable turnaround for Bangladesh, half its 118m population still lives in poverty.

Mrs Zia, widow of soldier-president Zia ur Rahman whose assassination in 1981 forced her into the political arena, can point to some notable achievements.

First is the transition to parliamentary democracy after more than 20 years of military rule. The army, says Talukder Maniruzzaman, a political scientist at Dhaka university, is unlikely to attempt to seize back the power it lost in 1990 when General Hossain Ershad was forced to resign following student demonstrations and opposition pressure.

Second, the government, buoyed by higher tax revenues, is making a larger contribution to its annual development programme for capital projects. For years the programme has largely been paid for by foreign aid because of a lack of local funds. This year, the government hopes to make a 27 per cent contribution to the Taka 86.5bn (£1.48bn) programme.

Bangladesh is one of the most heavily aid-dependent economies in the world. It receives annually the equivalent of some 7-8 per cent of gross domestic product in foreign aid. Bangladesh has been pledged about $29bn in aid since independence. Insufficient matching funds and long civil service delays have continuously hampered disbursement of aid. In December alone six ministries were unable to disburse $34.31m; $5.5bn has accumulated in the aid pipeline waiting to be spent.

In April donors meet in Paris to decide commitments for the next 12 months. Pledges for 1993-94 are unlikely to equal last year's $2.2bn.

The government faces strain on several fronts. Its biggest concern is that the economy is not growing fast enough to alleviate poverty. It has fulfilled most macro-economic targets set by the International Monetary Fund and last year achieved 3.6 per cent growth in GDP. Annual inflation is 5.0 per cent, down from 7.2 in the previous year; narrow money growth has been contained to less than 14 per cent, state spending has been curbed; the current account deficit is down and foreign reserves have reached a record $2bn, enough to cover seven months of imports.

However, according to the World Bank, with population growth now curbed to 2.4 per cent, a minimum of 5.5 per cent GDP increase is needed to improve the lot of the 50m living in absolute poverty – defined by the Bank as those consuming less than 1,800 calories a day. In the capital, Dhaka, the population rise is 8 per cent a year because of an influx of people seeking work.

The reform package has also included a cut in the fiscal deficit, measures to boost foreign investment such as allowing overseas companies to hold 100 per cent equity in a local subsidiary and attempts to reduce the size of the public sector.

However, the government is encountering political opposition to its World Bank-designed reforms to revive overmanned and indebted industries such as jute.

Mr Saifur Rahman, finance minister and free-market advocate, has earned praise from donors and the World Bank for his handling of the economy. But he faces criticism from Bangladeshi commentators that he answers only to a constituency in Washington.

Equally angry are the unions which still exert a powerful disruptive influence. Bangladesh has a poor industrial relations record, and the frequent strikes seriously harm business. Unions are stepping up their campaign to protect jobs but the government is resisting wage demands which it says threaten reform.

The bureaucracy, a traditionally privileged class, is responsible for implementing the reforms. However, it feels that its own interests are threatened and opposes the general thrust of the policy. It has a tendency to obstruct their introduction, for example by delaying decision-making.

Unemployment is also rising. Some 10m are officially out of work, including an increasing number of educated young. About 1.5m people come on to the job market each year.

Mrs Zia is trying to address these and other economic issues. In part this is forced on her; she must maintain the momentum of reform to sell the World Bank package to the people. Discipline and sacrifice is what she has been asking of her 500,000-strong audiences in recent speeches. "We must work harder and increase productivity," she says.

Such effort has already borne fruit in the performance of agriculture, which contributes 38 per cent to GDP and from which 58 per cent of the population earns its living. Measures such as the withdrawal of fertiliser subsidies, the privatisation of fertiliser distribution, the introduction of wells and better irrigation have helped boost agricultural output and efficiency.

For the first time in 20 years, Bangladesh is self-sufficient in rice. Bumper crops have stabilised domestic prices.

Yet this policy has not been without its problems. The government's determination to boost foodgrain production has adversely affected cropping patterns. More than 80 per cent of land is allocated to rice, and overall cereal crop production accounts for 80 per cent of total income from agriculture. The cultivation of pulses is a casualty; it is often displaced by a winter rice or wheat crop. Pulses have traditionally been a source of cheap protein.

In addition to the success in agriculture, the private sector can boast several accomplishments. The garments sector now employs 738,000 and last year earned $1.5bn in exports, about double the level in 1989.

Grameen Bank, an innovative bank founded by Mr Mohammed Yunus, has won praise around the world, including an endorsement from President Bill Clinton. Grameen lends more than £25m a year mostly to poor rural women. It recovers more than 98 per cent of its lending.

This is in contrast to the nationalised commercial banks. In the 1980s, these banks made big loans to industry. The result is an accumulation of $2.1bn in bad debts, about 38 per cent of total outstanding loans. The government is overhauling state-owned banks ahead of their privatisation and strengthening the central bank's supervisory powers. Reform, now in its second year, is under way.

The same cannot be said of the government's infrastructure project to reduce the impact of floods. A five-year (1990-95) Flood Action Plan (FAP) was prepared by the World Bank and presented to Bangladesh's main donors in 1989. The plan envisages the construction of embankments to control three of the world's largest rivers, the Ganga, Brahmaputra and Meghna.

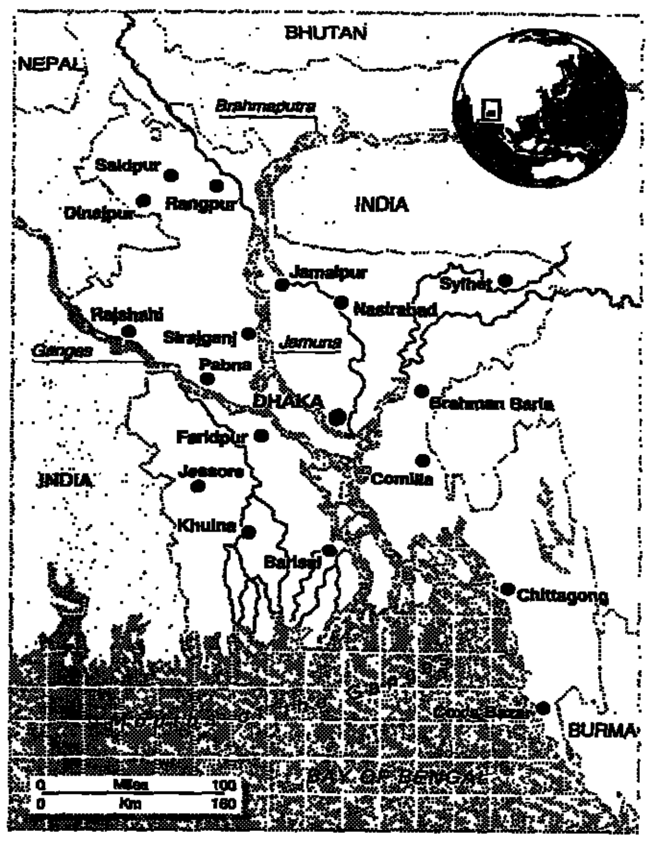
FAP is widely opposed by local economists and environmentalists who say embankments are too expensive and inappropriate for Bangladesh.

If FAP goes ahead it would be Bangladesh's biggest single civil engineering project. But its implementation would pose a huge challenge for a civil administration already under pressure. There is increasing disquiet that the government has failed to improve the quality of public administration. Woeful lack of co-ordination between ministries and an inexperienced cabinet have inspired complaints about a rudderless government.

Yet the prime minister confidently talks of renewing her mandate with the people. "I am confident of winning another term [in 1996]," she says.

Mrs Zia is popularly known by the Bengali nickname of *pupul*, which means doll or puppet. But she is clearly determined to prove that she is not anyone's puppet.

People of the River Brahmaputra: in need of more protection against the mighty forces of nature (Picture: Glyn Genin)



Khozem Merchant traces the rivalry between the two women who dominate the political arena

Pointscoring in a democratic consensus

A TRADITIONAL Iftar party earlier this month – celebrating the end of the day's Ramadan fast – became a game of political pointscoring. The winner was Khaleda Zia, the prime minister. Against all expectations, Mrs Zia attended the party hosted by her arch rival Sheikh Hasina, leader of the opposition Awami League.

The local press described Mrs Zia's move as a victory of statesmanship over petty-mindedness, an act it hoped would help to reconcile the two. For 18 months they had spurned each other's invitations, issued more out of political nicety than affection. "From my side I have no rivalry [with her]. I do not know about her," says the prime minister.

However, genuine reconciliation may be a long way off.

The two leaders dominate their parties and domestic politics. The tendency, according to a western diplomat, is for the opposition to be preoccupied with Mrs Hasina's personal battles and for the government to be constantly on the defensive and unable to define a clear strategy for the future.

Mrs Zia and Mrs Hasina entered politics as standard bearers respectively for their murdered husband (President Zia ur Rahman) and father (Sheikh Mujib ur Rahman, who led the struggle for an independent Bangladesh).

"Both the women hark back to the events surrounding the creation of the state 22 years ago," says a foreign diplomat. Mrs Hasina, for instance, is determined to repeal the indemnity given to her father's killers.

It is these historical issues which divide the ruling Bangladesh National Party and the Awami League. Their aggressive partisanship hinders consensus on pressing problems, such as the economy on which the two parties claim common ground.

Though Mrs Zia continues to invoke the spirit of her husband, recalling for instance his "19-point economic plan" – a vague strategy which lacked substance – she insists she is her own person. "I am a different personality [than my husband] and developed my policies during nine years of the autocratic Ershad regime."

General Hossain Ershad, who seized power in 1982, resigned in December 1990 in the face of opposition protests and student demonstrations. Mr Ershad was arrested and tried on charges of illegal possession of arms and abuse of power. He was sentenced to years' imprisonment. Mrs Zia came to power after winning the country's first free elections in February 1991.

The prime minister is trying to escape the past. In recent months she has toured rural areas, addressing crowds of up to 500,000. "She is trying to shift the political ground. She is raising very important issues such as poverty, education and illiteracy at a critical time," says Talukder Maniruzzaman, a political scientist at Dhaka university.

Prime Minister Khaleda Zia: struggling to escape the past

Awami League's Sheikh Hasina: daughter of the founding father

With the government under intense pressure to implement a tough World Bank programme, Mrs Zia needs to sell it to the people. Her speeches in the countryside are also enabling her to widen her political support. Urban critics have always accused her of being out of touch with the people because of her "cantonment culture", a reference to her life in the barracks as the wife of a soldier.

However, as Professor Maniruzzaman says: "The government is drifting. She has not been spectacularly successful but she sets the tone of government. There is a logic in her approach. Her intentions are good. She emphasises development."

The sense of drift is partly explained by inexperience. Only five of her 40-member cabinet had ministerial experience when appointed. Few capable candidates are waiting in the wings. The majority of the 1991 parliamentary intake were political novices, newly-rich businessmen. In any case, the prime minister is loyal to her friends.

Her real accomplishment has been to sustain the momentum behind the transition to democracy. The press speaks its mind and the *Jatiya Sangsad*, the parliament, though lacking some of the sharper skills of democratic politics, functions well. Both main parties are committed to parliamentary democracy. Nobody is knocking at the army's door.

The army is content. Its refusal to bail out General Ershad was an important turning point for the military. Today, the army believes its interests are broadly served by Mrs Zia's brand of Bangladeshi nationalism and commitment to Islam.

Mrs Zia's other accomplishment has been to strengthen her position within the BNP. Among cabinet colleagues, she alone enjoys national support. Though some ministers, such as Mr Saifur Rahman at finance, are acknowledged to be doing a good job, they scarcely represent a challenge to Mrs Zia.

Nor is she under threat from other traditional quarters. Students, who played a critical role in forcing Ershad's downfall, have been largely tamed.

The Jamaat-e-Islami, the radical Islamic party, enjoyed brief influence after the election by supporting the BNP and giving it an overall majority. But with the appointment of 30 nominated women members to parliament – most allied to the BNP – the parliamentary wing of the Islamic party has been sidelined. The Jamaat-e-Islami's influence is mostly confined to local politics where its powerful cadre and organisational strength ensures it a strong voice in by-elections.

The Awami League is seen by political observers as enfeebled, its attacks confined to personalities and rarely on issues of substance. The party lacks a coherent strategy and is internally divided. Sheikh Hasina needs to think afresh. She may start by revising the guest list for this week's Eid party marking the end of Ramadan.

Hard work and long hours make profits for the garment trade, says Khozem Merchant

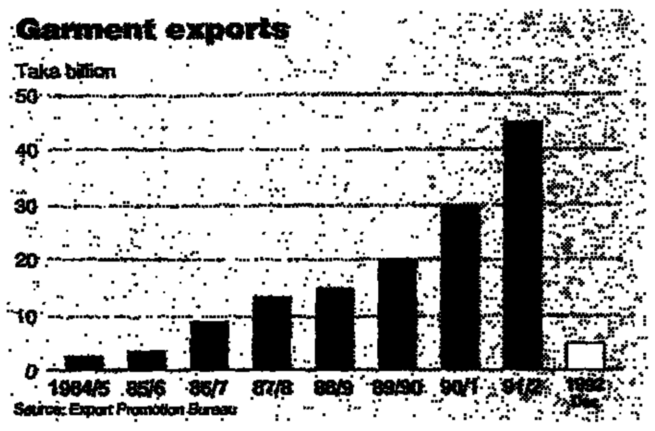
From rag-trade to riches

THE *NewAge Enterprise* factory in Dhaka is clean and well-ventilated, making it untypical of the 30 to 50 garment-making premises which open every month in Bangladesh.

But its success is typical of a sector so lucrative that some professors at Dhaka university have opened their own factories, a rare instance of academics practising what they preach. Retired generals and civil servants have found second careers in garments.

The garments industry runs against the grain of Bangladesh's manufacturing industry. It makes money; it is non-unionised; there is no government interference; and it has a large and growing share of markets in Europe and the US; and, by employing largely women, it has redefined the "purdah culture" in a conservative Moslem country.

Most of the new factories are in back streets, with poor lighting and ventilation making for a long and unrewarding day. These are operated by "get rich" entrepreneurs attracted by the prospect of having a plant up and running within four months. Typically, an investor can set up a medium-size factory employing about 500 women with just $200,000 and generate turnover of $2m within 12 months.



Source: Export Promotion Bureau

There are 1,425 garment factories in Bangladesh, which last year earned $1.5bn in exports, up by 48 per cent on the previous year. Garments have grown from zero a decade ago to be the largest export earning sector. By quantity, Bangladesh is the seventh biggest garment exporter to the US and the 10th largest exporter to the EC.

Its importance to the domestic economy is twofold. It is the only sector earning sizeable foreign exchange. And it employs some 738,000 people, of whom 85 per cent are women.

Most women previously worked as housemaids or were unemployed.

According to the Bangladesh Garment Manufacturers & Exporters Association, in 40 per cent of households where a wife is working in garments, she is the main income earner.

"We have helped create a new and strong consumer spending group," says Mohammed Mosharraf Hossain, president of the association.

Some 1.5m square metres of property have been redeveloped for use as garment factories, while some 80 per cent of commercial road traffic between Dhaka and Chittagong, the main port, carries goods for the garment trade.

Two government policy decisions set the industry on its feet and continue to help significantly: the introduction of back-to-back letters of credit (LCs), and the creation of bonded warehouses.

"With back-to-back LCs we do not have to turn to banks. It means, in effect, that our suppliers finance us through the issue of LCs, while bonded warehouses allow us to import materials free of duty if for export purposes," says Mr Abu Sayeed Quasem, chairman of NewAge Enterprise.

"We import about 75 per cent of textiles for our garments so these two factors are very important," he adds. The value added is mostly in the form of buttons, cartons, and thread; 80 per cent of these accessories are now met locally.

A Dhaka machinist making jackets for export: women form 85 per cent of the industry's 738,000 employees

The next target is to increase the local value-added content by setting up textile plants in Bangladesh to serve garments factories. Some in the garment sector doubt whether local textile companies could meet the high quality standards demanded by western importers of Bangladeshi garments.

In addition, the investment required is substantial – at least $30m to set up a "composite plant" encompassing garment and textile operations.

Even installing finishing and dyeing facilities would require between $2m and $3m.

Bangladesh's appalling industrial relations record is also a further handicap. Labour is cheap, but, when the cost of the endless one-day strikes and *hartals* (general strikes) is taken into account, local labour loses its comparative advantage.

The industry's growth could also be impeded by the failure of the Gatt to conclude the Uruguay Round trade liberalisation talks.

Bangladesh is already restricted by the Multi-Fibre Arrangement, which allows signatories to protect domestic industries by limiting through bilateral deals the volume of exports from mostly Third World economies.

Under any new Gatt regime MFA quotas would be phased out over a 10-year period.

A successful outcome to the Gatt talks is vital for a less developed and trade-dependent economy such as Bangladesh.

The economy is improving but the internationaaymasters remain dissatisfied, says **Khozem Merchant**

The people car only take so much

A DECADE ago Bangladesh was in trouble with its international creditors for failing to meet economic targets. Last year it exceeded most targets, but this was still not good enough.

The painful reality is that more still needs to be done before the invisible hands guiding the economy – the International Monetary Fund and the World Bank – can be withdrawn.

"I am in a predicament," says Mr Saifur Rahman, the finance minister who is credited by donors and the multilateral lending agencies with having achieved success so far. "How far can I go in attaining the targets without threatening our fragile democracy?"

Surgery is being applied at two levels to the heavily-regulated economy.

Under its agreement with the IMF, Bangladesh is seeking to liberalise trade, overhaul the tax and tariff regime and improve the balance of payments.

Mr Saifur has met all the targets laid down by the IMF: inflation is 5.0 per cent, down from 7.2 in the previous year; money supply growth has been contained to less than 14 per cent, largely as a result of low demand for loans in the private sector; government expenditure has been curbed; the current account deficit is down and foreign reserves are at a record high of $2bn, though a large component of this is money from donors waiting to be spent.

Second, a World Bank reform package aims to improve the domestic competitive environment. This should be achieved by privatising state-owned industries. Most state industries are uncompetitive, have massive excess capacity, are over-manned and burdened with bad debt.

The jute sector, fattened by years of easy credit, crippled by plummeting world jute prices in the 1980s and now burdened with bad debts of $925m, presents the government with its most formidable challenge.

Under the IMF's macro-programme the biggest success has been tax collection, which has risen by 10 per cent net of inflation well ahead of target. The finance minister's doggedness in achieving this has provoked criticism from a powerful business lobby in parliament (59 per cent of MPs are businessmen).

Better tax mobilisation has enabled the government to increase its contribution to the annual development programme, which covers capital projects and is largely financed by aid.

In 1989, the programme was wholly funded by donors. This year the government is aiming for a 27 per cent contribution, rising to 30 per cent in 1993-94. Higher tax revenues and tighter curbs on spending – high wage demands notwithstanding – have also enabled Mr Rahman to cut the fiscal deficit from 8 per c of GDP in 1989-90 to 5 pcen last year.

The big issue in the finance minister hi next budget is how tistn the revenue drive wh containing spending, mostly lars. But the World Banl fom programme will pre the greater test. Privatisat fons the core of the pack-

"Our governnt i committed to this prame. We must reform cor improve management, thaw obsolete equipmenad lake them competitive. Ptli will take time," says Malhan.

Many beliet taking too long. Two ye a 42 companies were nited by the government r rivatisation but none othe plans has advanced.

"Privatisor should have been a cleaal to the private sectob the government meanyness. But they have madess of it by trying to sell least attractive (jute) first the best last," says an ecnist.

Three problems confront Mr man in making his privaon package stick:

● the retion that the jute, sugar pssing, textile and other itries operated in what a or World Bank official de es as an "unparalleled culture". These debts ld almost certainly have e written off as part of antructuring.

● reince from organised labour which fears massive job losses.

● and the bureaucrats charged with implementing the programme have strong vested interests in stopping it.

It is the size of the bad debts in the jute industry – mostly to nationalised commercial banks – which is worrying the authorities. Failure to resolve this issue could torpedo banking sector reform, now at an advanced stage. The World Bank is expected to announce a funding plan to carry out jute reforms by the summer. "Then the pain will begin," said a local banker. Other sectors also carry large non-performing debt.

Unions, though not numerically significant within the total workforce of 50m, continue to exert a powerful disruptive effect. *Hartals* – or general strikes – have a crippling effect on the economy. A local employers' group estimates the cost of a one-day *hartal* at $11m in lost production and distribution.

Last week Skop, an umbrella organisation of labour groups covering textiles, jute, railway and others, staged a two-day *hartal* to demand a minimum wage and the implementation of a wages commission recommendation.

The World Bank publicly denounced Skop's demands as unjustifiable. The finance minister accused them of "economic terrorism".

Finally, the bureaucracy, which is charged with enforcing this state sell-off is widely seen as incompetent and corrupt and a significant drag on any implementation.

"There have to be more sacrifices from these interest groups: labour, civil servants and all the sick industries which for years have been supported by protectionism and subsidies. Things have got to change," says a local commentator.

Privatisation's only real success story has been in agriculture, which represents 38 per cent of GDP.

It has improved in terms of output and efficiency following the withdrawal of fertiliser subsidies, the introduction of shallow and tube wells, better irrigation and the decision to privatise the distribution of fertiliser. And for the past three years there has been a bumper crop.

An increasing concern for government is aid disbursement. Donors have always doubted Bangladesh's capacity to absorb aid and use it effectively, largely because of an inept civil service. Implementation has always been slow. Today, some $5.5bn is jammed in the aid pipeline.

The other aspect of this backlog is that if aid money is not disbursed it creates the wrong investment climate for the private sector. "The government must speed up implementation and spend. It must lead by example," says a western banker. Private investment in Bangladesh – at 10 per cent of GDP – is one of the lowest in the region.

Increased private investment will be an important component of the export-led growth – garments being the best example so far – that the government believes is the only way forward.

"Import-substitution is no good if the products we produce are uncompetitive," says Mr Rahman. "We need export-led growth. There is no other way industry [currently just 16 per cent of GDP] can succeed," he says.

Last year, the economy grew by 3.8 per cent, ahead of the population growth of 2.4 per cent; the government needs minimum economic growth of 5.5 per cent if it is to make a real dent in poverty and sustain the successes of the past 18 months.

It is this follow-through which is now causing problems. According to one economist: "The government is hitting the ball but it isn't going over the net."

Finance minister Rahman: *how far can I go without harming democracy?*

KEY FACTS

Area	143,998 sq km
Population	118.7 million
Head of State	*President Abdur Rahman Biswas*
Currency	Taka
Average exchange rate	36.6 Taka per US$ 1991
	39.0 Taka per $ 1992

ECONOMY

	1991	1992
Total GDP (Taka bn)[1]	802.2	839.9
Real GDP growth (%)[1]	3.3	4.7
Components of GDP (%)		
Agriculture	37.6	n.a.
Industry	16.9	n.a.
Services	45.6	n.a.
Inflation rate (%)[2]	7.2	5.0
Ind. production growth (%)[3]	7.5	18.6
Gen Govt. deficit (% of GDP)	7.1	n.a.
Gross public debt (% of GDP)	11,918	12,257
Debt service ratio (%)	21.0	21.3
Reserves minus gold ($bn)	1,278.2	1,824.6
Discount rate (% pa)[4]	9.25	8.50
Current account balance ($bn)[5]	-306	-191
Exports ($bn)	1,880	2,118
Imports ($bn)	3,258	3,447
Trade balance ($bn)	-1,378	-1,329
Main trading partners (1991)[6]	Exports	Imports
USA	26.6	5.1
Japan	3.2	8.9
Germany	10.4	3.6
Asia	10.6	33.3
EC	40.0	13.1

Notes:(1) 1992 Forecast
(2) Annual growth in consumer prices, 1992 Forecast
(3) Annual growth in industrial production, Q1,Q2 1992 only
(4) Year end 1991, November 1992
(5) Asian Development Bank estimates
(6) Percentage share by value
Source: IMF, Datastream, Economist Intelligence Unit, Asian Development Bank.

While some foreign companies move in, others call it a day

Investors' two-way traffic

THE general investment climate has improved over the past 18 months. Foreign companies are permitted to be 100 per cent owners of local subsidiaries, and import tariffs and corporation tax have been cut.

However, the record is mixed. While some foreign companies have been expanding their operations in Bangladesh, others, especially drug companies, have been leaving.

Among the exodus are Philips, the Anglo-Dutch consumer electronics group, and NCR, the US computer company. Drug companies, including Imperial Chemical Industries and Fisons of the UK and Pfizer and Squibb of the US, have pulled out partly because of government policy banning the manufacture of some generic drugs by multinationals leaving the market free to local companies.

Squibb, having decided to sell out to local interests, finally shut its operations after years in Bangladesh, apparently frustrated at the bureaucracy surrounding the sale.

Pfizer, which has been trading in Bangladesh since 1955, employs 550 people with sales of $7m in 1990. "The government does not seem to be concerned," says Mr Syed Kabir, Pfizer's managing director.

However, other companies are more encouraged. One move which has produced immediate benefits for foreign companies has been the relaxation on rules governing technical agreements. Previously foreign companies were not allowed to pay for technology transfer with foreign currency.

This shift has produced tangible improvements at Bangladesh Tobacco company, part of UK tobacco group BAT.

"Product development is simply not possible here. That's why these relaxed conditions on technical exchanges are so vital. It has enabled us to benefit from the results of leaf research at head office in the UK, invite marketing expertise over and improve the factory," says Mr Malcolm Fry, BTC's managing director. Lever Brothers, a Unilever subsidiary with a £25m turnover in toiletries, is also optimistic. It is looking to snap up the interests of one departing drugs company.

"We see no reason for panic because the government is introducing a degree of reality," says Mr Ian Sangster, chairman. Nestlé, the Swiss chocolate group, is also upgrading its operations, from agency to manufacturing in a joint collaboration with a local company.

The biggest concentration of foreign companies is at the 400-acre Chittagong Export Processing Zone, where some 57 foreign and local companies with a collective investment of about $98m have been attracted by a 10-year tax holiday, purpose-built factories and non-union staff. A second 38-acre export zone in Dhaka is due to come on stream next month. A third is planned. Companies in the export zones escape the stifling red tape that remains the bane of industry and business.

Khozem Merchant

Shiraz Sidhva finds faith and fatalism in the wake of disaster

Survival on the seashore

TWO years after the great cyclone, Ahmed Kabir is still picking up the pieces.

The cyclone hit Bangladesh on April 29 and 30, 1991. Ahmed's little mud hut, four miles from the sea, was one of nearly 50,000 homes in this region alone which were washed away.

Across the country, 140,000 people were killed and millions made homeless. Ahmed lost more than a dozen close relatives. Apart from losing its home, his family lost all its livestock including four goats and six buffalos.

The sea, from where the lethal typhoons swept ashore, is also the source of Ahmed's livelihood – he works on the salt pans and cultivates shrimps.

Ahmed and his wife Nafisa Khatun spent the first days after the cyclone at a relief centre 25 miles away in Cox's Bazar. They then went back to their village and rebuilt their home in three months.

Ahmed is one of about 10,000 fishermen who catch shrimp larvae, which they sell for Taka10 per 100. Since the fishermen have almost no assets, they cannot borrow from the banks and the cyclone left them in even deeper poverty than before.

Sayyat Noor, one of Ahmed's neighbours, says "the aid agencies helped by giving us money to rebuild our houses and buy fishing nets, but only 10 farmers in 100 were lucky enough to benefit".

Knee-deep in salt in the blazing heat, Sayyat says his family lived for days on the rice, salt and chilli powder that they had kept buried in earthen containers outside their home. These are the "iron rations" which people in this part of Bangladesh store away in case of natural disasters.

"If we got saved that day, and if we are able to feed ourselves today, it is only because of Allah," says Noor.

About 30,000 families depend on salt reclaiming in Bangladesh and the cyclone destroyed more than 30 per cent of the salt pans and washed away more than 200,000 tons of uncrushed black salt. Two ruined salt works still bear witness to the devastation, although another, less than a mile from the worst hit area, has been rebuilt and is thriving.

Large fishing boats are used to transport the salt to Chittagong. The plant's owner, Hafeez, says 1992 was a very good year, thanks to the good weather which enabled the salt panning season to last from November to May instead of the usual mid-December to early April.

Abdul Karem, like two thirds of those who work the salt pans, is landless, and has to lease the land on which the salt is deposited. Borrowing from the moneylender who also owns the salt pans, many farmers end up as bonded labourers and their families go ever deeper into debt from one generation to the next.

The money lender-landlord also buys back the harvested salt at prices as low as his interest rates are high. "The cyclone has only increased our debt to the landlords," says Kasem. "For those who did not survive, at least the misery of surviving each day has ended."

In summer, the flooded salt flats are used for harvesting shrimps. The methods used to trap shrimp fry are primitive and uneconomical. According to an expert, even semi-intensive methods would yield 1,130kg of shrimps per acre compared with the present 60 kgs. The greater salinity caused by the cyclone and by last year's long dry summer further reduced the shrimp harvest.

But nature has not been not entirely cruel to the people of Chakoria. The emerald-green paddy fields that fringe the salt and shrimp flats benefited from the wrath of the cyclone. Nearly 80 per cent of all agricultural crops were destroyed, and the watermelons and tomatos for which the area is renowned were damaged by the increased salinity.

But the rice crop was 50 per cent bigger than usual thanks to the rich layers of alluvial soil which the cyclone deposited in the paddy fields.

Aid organisations are slowly helping people to rebuild their homes, even though this will seriously deplete the amount of bamboo in the nearby forests.

More than 90 per cent of all livestock (1.4m animals in Chakoria alone) were killed, together with all the poultry. Only a few buffalos survived. Thanks to the diligent husbandry of the women, the poultry stock is now back at more than 30 per cent of its original numbers.

"It killed me to see the eggs for hatching when the children were starving," says Farida Khatun. After the disaster she bought a single hen from the market with money she had saved without telling her husband. She now has birds.

"We have to think ahead, and I knew that a few days more of hunger would afford us comparative comfort later."

For Ahmed Kabir, however, recovery is only relative. "We were poor to begin with; the cyclone has only made us poorer," he says. His children had attended one of the 33,000 primary schools destroyed by the cyclone. Today, classes are still held out of doors.

Roads have been largely rebuilt and the government is constructing multi-purpose cyclone shelters with financial help from Saudi Arabia.

Standing on a rebuilt anti-flood embankment (52 per cent of these structures were destroyed), Ahmed voices the local fatalism. "No embankment or shelter can save us, if Allah wishes otherwise," he says. "Sometimes, when I work to rebuild all I have lost, I can't help wondering how soon it will all be washed away again."

Ahmed Kabir and his children near their rebuilt home: if Allah wishes it, nothing can save us (picture: Shiraz Sidhva)

Jute growers face dual pressures, says **Reazuddin Ahmed**

Golden fibre in trouble

THE jute industry, once Bangladesh's biggest export earner, is today its greatest agricultural liability.

Annual losses run to more than $80m and bad debts total $925m. Shoddy management, overmanning, competition from synthetics, and a sharp fall in jute prices over the past decade have all contributed to the downfall of the "golden fibre".

Under a World Bank-led programme, the government is trying to reform the industry ahead of its eventual privatisation. It envisages large-sale jobs losses, modernising plant and improving competitiveness.

But since its announcement two years ago, the privatisation programme has consistently encountered problems in implementation: from a civil service wary of the thrust of the policy to unions fearing jobs losses.

Earlier this month, jute unions took part in a (largely unsuccessful) two-day *hartal* – general strike – in support of a minimum wage. The industry employs a fifth of the country's workforce and earns 29 per cent of its foreign currency – down from 80 per cent at its peak in the late 1970s.

The World Bank has warned that further wage increases would erode competitiveness and impede reform. The Bank is expected to announce a financing packing for reform of the sector soon, but as Mr Saifur Rahman, finance minister, says: "The Bank may not participate in restructuring if there are further wages increases."

Some 10,000 jute workers have already accepted redundancy, but another 20,000 need to go together with a larger number of mill closures before the sector is ripe for sell-off, the government says.

Mr Hannan Shah, jute minister, blames the industry's losses on old machinery and higher overhead costs. But, as independent observers say, these problems pale besides the sector's huge bad debts, the biggest single headace facing the government in overhauling the industry.

Bangladesh accounts for 80 per cent of world exports of raw jute, a fibre used in many jute-based products such as hessian, carpet-backing cloth and sacking, and for 40-45 per cent of jute manufacturing.

Jute acreage has been declining over the years, mainly in response to a downward trend in international prices: an average 780,000 ha were planted to jute in the early 1970s, falling to 588,260 ha in 1991-92.

Slight yield improvements have not been enough to make up for the fall in area under cultivation and in general jute output has continued to decline. In 1990-91, the jute crop was 942,700 tonnes from 584,000 ha, while in 1991-92 an estimated 937,600 tonnes was produced. Bangladesh's jute fibre exports have fallen sharply, from 500,000 tonnes in the early 1980s to 288,000 tonnes in 1990-91, though they have picked up a little.

After rising steadily in the 1970s and 1980s, world jute demand rose last year by just 0.7 per cent, says the Dhaka-based International Jute Organisation, which represents producers.

The IJO says that with acreage contracting in leading producer countries such as Bangladesh and India, world output this year will total 2[illegible] tonnes, 15 per cent down on last year.

Prospects for the industry are under a cloud: competition from synthetics and containerisation have dented demand for jute as a packaging material.

Mr Shah believes crop quality must be improved so as to diversify into other jute-based products, such as paper and textiles. His ministry is studying two proposals from China and one from Japan to establish a jute-based paper and pulp industry in Bangladesh.

The rise in environmental concern has also taken its toll on demand; as a result of a European Commission directive promoting recyclable forms of packaging, jute consumption in western Europe is expected to fall.

The IJO is pressing EC countries to implement the directive in a way which recognises jute's environmental qualities. One of the main arguments for boosting use of jute-based paper, for instance, is that it will reduce the number of trees chopped down to supply conventional paper mills.

☐ *Additional material by Khozem Merchant*

Militant challenge: jute and textile workers stage one of their frequent national stoppages

Adrian Furnham looks at the issue of pay equity at :he workplace and the pressures that may decrease productivity

Moving tale of a fair day's work

Odd things sometimes happen during office moving. Recently members of a group of American life assurance underwriters of varying degrees of seniority (ranging from trainees to associate underwriters to underwriters) were assigned for a fortnight to the offices of their co-workers while their offices were refurbished.

Some were assigned to the offices of a higher status person; others were assigned to the offices of lower status people; still others were assigned to the offices of equal status people. In addition, one group continued working in their own offices throughout the period. During this fortnight, productivity was measured, taking into account the number of hours worked and the difficulty of the cases reviewed. The result was curious.

Although all the underwriters performed equally well *before* the office moves began, these office re-assignments had a profound effect on productivity.

Those assigned to higher status offices dramatically improved their performance; those assigned to lower status offices dramatically lowered theirs. Employees whose workspace rewards were unchanged had performance levels that remained much the same during the study.

As soon as the underwriters returned to their own offices, their performance returned to its original level.

Why did their productivity change? One answer is that people respond to, and "correct", inequities created not only by the money they receive but also other rewards such as the status value of their offices. Therefore if people in a state of equity get more they work harder; take things away and they produce less.

But what is equity? Consider the example of a group of friends going out for a meal who agree to share the cost. They usually divide the bill (plus tip) by the number of people present. Everybody pays the same despite the fact that they have eaten differently priced dishes. This means, of course, that those who choose modestly priced food and drink tap water subsidise those who have more expensive tastes and drink alcohol. The anorectics as it were pay *for* the gluttons.

As a consequence people who dine together tend to choose dishes of similar cost. They either all do or do not have a starter, a drink or dessert so that no one person in the group eats more than the others.

If however somebody wants an expensive item and the others do not, it is frequently agreed that he or she pays for it separately. The principle of equality – people all pay equally irrespective of what they eat – is replaced by one of equity, where people pay differently depending on what they eat.

There is one other option: the richest in the group pays proportionally more. This principle, taxation, is the least popular.

Nearly everyone faced with the choice argues for equity, certainly in the world of work, and particularly when it comes to pay nearly everybody favours equity over equality because they feel it is the fairest system. Climate surveys, which are snapshots of a company's health, frequently *show* people are most unhappy with the pay system because appraisal is not directl; linked *to* pay.

Strikes, walk-outs and go-slow are often the result not of complaints about absolute pay but comparative pay. One person discovers that he or she is paid less for work of equal skill or responsibility than a colleague and all hell is let loose.

Where people feel unfairly dealt with and inequitably rewarded – nearly always undervalued in the sense that they feel they give more than they get – they nearly always attempt to rectify the position. There are two ways working people bring about a sense of pay *equity:* they seek to increase their rewards or decrease their effort (or both).

> **Alhough all the underwriters peformed equally well before the ofice moves began, these office reasignments had a profound effect o productivity. Those assigned to hgher status offices dramatically iproved their performance; those ssigned to lower status offices dramatically lowered theirs. Employes whose workspace rewards were nchanged had performance levels that remained much the same during the study.**

The first aims to get more reward for one's work in term of pay or benefits, sometimes called a package. That is neither easy nor even feasible in poorly performing companies or during a recession.

There are, however, other things people can take. For instance, shoplifting (politely called shrinkage) is more often carried out by employees rather than by customers, partly because it is easier. Certainly stealing goods is one way of increasing rewards – if one's organisation produces or has something worth stealing.

On the other hand, one can steal time by coming late, going early or simply going absent frequently. Time is money as the adage has it and can be relatively easily stolen, as national absenteeism figures (especially those for local authorities) show. The easiest way of increasing one's pay is to work fewer days for the same money.

It is frequently difficult, dangerous, or even impossible to increase rewards, and consequently it is much more common to find employees reducing their input: their enthusiasm for the job; the amount of effort they put into their work; their willingness to do (unpaid) overtime; and their attitudes to customers.

In the last resort, the worker convinced he or she is unfairly dealt with might leave the organisation. The most common reaction, however, is the alienated, uncommitted, unhelpful worker: the sort we have all encountered, even in customer service industries.

Sometimes a feeling of inequity comes after promotion because, although promotion usually means an increase in salary, status and benefits, it also means an increase in responsibility and workload, and the two might not increase proportionally.

I know many people in the academic world who refuse promotion because, although they feel equitably dealt with at their level, on the next level increased responsibilities simply outweigh rewards; hence the fact that in some jobs people frequently eschew promotion until the equity balance is re-instated. Most frequently, the feeling of inequity and unfairness occurs when we compare ourselves to others doing almost the same job but in different organisations in different countries.

People at work need to feel fairly, equitably rewarded. Their perception of fairness may differ from that of their employers because the value attached to rewards or outputs such as free meals, sports/fitness facilities, company cars and inputs such as hours of work, attention to detail and customer responses may not be shared by employer and employee. If people feel unfairly dealt with, they will do something about it.

Not everybody in a state of inequity feels it because they are under-benefitted; some, the theory goes, feel it because they are over-benefitted. To overcome this imbalance, the fortunate over-rewarded individuals can either not take their full benefits or they can work harder. Lady Thatcher, when prime minister, did both; she did not take her full prime ministerial salary (taking only that of a minister) and worked preposterously long hours.

What, one wonders, did she feel guilty about?

Adrian Furnham is a Professor of Psychology at University College London.

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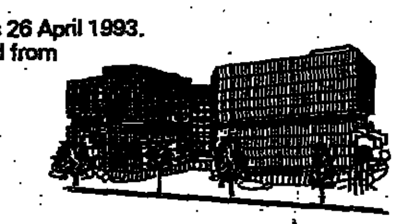

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To progress your interest in either of these appointments, write to Susan Milford at Carrington Heath, City Business Centre, 2 London Wall Buildings, London EC2M 5PP.

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FRAMLINGTON
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ACCOUNTANCY COLUMN

Where relationships may be too close for independence

Prem Sikka, Anthony Puxty and Hugh Willmott on why the provision of non-audit services to audit clients should be re-examined

THE time has come to *address a neglected* aspect of the effectiveness of auditors in discovering fraud: the question of their independence when they are allowed to sell non-audit services to their audit clients.

In other European countries such as Germany, auditors must act exclusively as auditors. But whenever this restric*tion is proposed in Britain, the* auditing industry argues little evidence exists to show that *the provision of non-audit ser*vices to audit clients impairs independence.

It is difficult to provide hard evidence to refute this argument. The public is told little about company-auditor relationships, and the auditing firms fail to publish meaningful information about their affairs.

Companies are now required to show the audit and non-audit fees generated by auditors in their accounts. But there is nothing on topics such as the profitability of the audit, contract details, the composition of the audit team or how it works, which would help assess auditor independence.

Yet when accountants provide non-audit services to their audit clients, there are many *instances in which they may* jeopardise the independence of their assessment by auditing *the figures of their own col*leagues from the tax, consulting or corporate finance *departments.*

In the aftermath of a company collapse and fraud, the quality of audits is sometimes scrutinised through investigations by Department of Trade and Industry (DTI) inspectors. Their reports could shed some light on the debate. Unfortunately few of these reports are *published.*

Even those in the public domain do not always com*ment on auditor independence.* On those rare occasions when they do, some reports have concluded that the provision of non-auditing services does or may impair the service provided.

In their 1976 report on the frauds and collapse of Roadships, for instance, the inspectors (one of whom was a Touche Ross partner) concluded that "independence" is destroyed when the "work which is being audited is in fact work which has been done previously by the auditors themselves acting as accountants".

The report concluded: "We do not accept that there can be the requisite degree of watchfulness where a man is checking either his own figures or *those of a colleague . . . For* these reasons we do not believe that [the auditors] ever *achieved the standards of inde*pendence necessary for a wholly objective audit."

Similar concerns were expressed in the 1979 DTI report on the collapse of Burnholme and Forder. The inspectors (one of whom was an Ernst & Whinney partner) concluded: "In our view the principle of the auditor first compiling and then reporting upon a profit forecast is not considered to be a good practice for it may impair their ability to view the forecast objectively *and must endanger the degree* of independence essential to this work."

These views *at the very least* challenge the assertion made by the Institute of Chartered Accountants in England and Wales in its recent response to the McFarlane report on the future development of auditing that: "There is no evidence – for example in DTI inspectors' reports – that auditors' objectivity is compromised by the provision of other services."

Inspectors' reports have also been critical of other relationships affecting auditor independence. One on the Grays Building Society from the Registrar of Friendly Societies noted that auditor independence was compromised due to the length of time served by an *auditor, leading to an approach* which was described as "mechanical and predictable". *Audit failures in a 1976 DTI* report on Hartley Baird concluded that the auditors were *"too closely connected with"* one of the directors.

There may be an expectation from the government that the accountancy bodies will act on the findings *and recommenda*tions of DTI reports. But these associations are in no position to control multinational auditing firms. Their main concern is to promote and defend the work of their members.

So the inspectors' comments and recommendations have been ignored. Auditors continue to audit the figures cre*ated by their own* firms and colleagues. This is something no other watchdogs are rou*tinely expected, or allowed, to* do. Cosy relationships with directors are not disturbed.

In the mid 1980s, the need to implement the EC Eighth *Directive* – which covered audit regulation – presented an opportunity for *substantial reform. The gov*ernment issued a discussion document that included pro*posals for curtailing the sale of* non-auditing services by auditors. But in the face of pres*sure from auditing firms*, their trade associations and patrons, the proposals were abandoned.

It was only this year, after government pressure, that the accountancy bodies approved *ethical guidelines to forbid* auditors from reporting on specialised asset valuations which *they have themselves* valued. These guidelines do not currently include pension valuations. There are no *other such* restrictions on the provision of services by auditors.

The ultimate responsibility for safeguarding the interests of *stakeholders* lies with the DTI. Yet current ministers have shown no interest in taking action on the provision of non-audit services.

That is in spite of comments from Mr Michael Heseltine, now secretary of state at the DTI, in his 1987 book *Where There's a Will*. He argued at the time that accountancy firms ought "to be debarred from doing any other work for a company for which they act *as auditors . . . to prevent* any possible conflict of interest".

The British government's *attitude contrasts sharply* with that in many other countries. Consider the case of Fokus Bank *in Norway*. In 1991 the Norwegian government removed its auditors, KPMG *Peat Marwick*, which were also supplying substantial consultancy services. The reason, according to a senior official, was: "It is very questionable that an audit firm combines its role as a key management adviser with the statutory audit function".

Such a move is highly unlikely in Britain where the accountancy bodies are the *regulators* of the auditing industry. The recent Cadbury and McFarlane reports could have examined *questions of* auditor independence in detail. But they were sponsored by the accountancy bodies and have done no such thing. The *reports* make no mention of the recommendations in the DTI inspectors' reports.

With the *collapse of* BCCI, the opportunity should have been taken to examine the issue of auditor independence. But such matters were beyond the range of Lord Justice Bingham's terms of reference. Instead, the government is *relying* upon the accountancy bodies to look into the auditing aspects of the BCCI failure.

Yet the *disciplinary action* taken against the large firms has been limited. As the Secretary of State for *Trade* and Industry admitted to Parliament in November 1991: "No auditor criticised in an inspectors' report has been debarred from auditing as a result of information in that report".

Within the current regulatory arrangements, poor audit quality is unlikely to be prevented. A way forward would be for the House of Commons Trade and Industry Committee to investigate matters relating to auditor independence.

Prem Sikka is principal lecturer in accounting and finance at the University of East London; Anthony Puxty is professor of accounting and finance at the University of Strathclyde; Hugh Willmott is senior lecturer at the school of management at the University of Manchester Institute of Science and Technology.

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QUALIFICATIONS
- Commercial graduate, Big 6 trained ACA, aged 35-45, with detailed knowledge of both UK and US reporting. IT literate, preferably with one foreign language, ideally German.
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- Report to MD. Assist in overall development of the business. Provide support on all financial matters, both in UK and overseas. 80 staff.
- Develop communication links within the group and other subsidiaries.

QUALIFICATIONS
- Graduate qualified accountant, aged 35-45. At least 10 years' financial management experience.
- Strong technical skills. Significant track record as FD managing large department within international, creative business.
- Strong, influential communicator, both orally and in writing. Good negotiator with strategic awareness, presence and intellect.

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A qualified accountant, you will probably be in the age range 33-45 and will have operated at finance director or equivalent level in a related industry. Experience of contract accounting and control is highly desirable and your practical, shirt-sleeve approach to financial management must be backed by a well-developed commercial awareness. The ability to perform in a private company culture is vital with essential personal qualities being strength of personality, decisiveness, persistence and strong communication skills at all levels in a business. It is a role for an all-rounder capable of making a wide business contribution.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P249 on both envelope and letter.

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Finance Director

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You are likely to be a graduate chartered accountant in the age range 35-50 and a proven commercial decision maker. All round technical strengths, including system implementation experience, must be augmented by a track record of profitable financial management of a successful business. City experience and credibility would be an advantage.

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Interested applicants should forward a comprehensive curriculum vitae quoting **ref: 126890, to Stephen K Banks ACMA at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.**

MP

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Interested candidates should send a full curriculum vitae to **Chris Nelson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071 831 2000. At evenings and weekends call 081 785 6191 (ansaphone).**

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LHDA

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Applications, accompanied by a detailed CV including mention of current remuneration, should be sent by post or fax to arrive no later than Tuesday 13th April - to Douglas Austin, MSL Group Limited, 32 Aybrook Street, London W1M 3JL, tel: 071-487 5000, fax: 071-224 2350, quoting the appropriate reference number. Mr John Roy, Consultant to the Authority, plans to conduct interviews in London at the end of April.

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Alusuisse makes further cut in aluminium output

By Kenneth Gooding, Mining Correspondent

ANOTHER CUT in German aluminium production was announced yesterday. Alusuisse-Lonza said output from its smelter at Essen would be reduced to only one-third of its 135,000 tonnes annual capacity.

This followed an impassioned plea by the Federation of the German Aluminium Industry on Wednesday when it said more production cuts would be needed unless domestic power costs were reduced or there was a substantial fall in exports from the Commonwealth of Independent States.

Mr Jochen Schirner, vice-president of the federation, complained that Germany had cut capacity by 25 per cent in the past two years since CIS exports began to surge. But the country's aluminium smelters were still making losses even though they used some of the most advanced technology in the world.

Alusuisse, the Swiss producer, had previously cut output at Essen by one third in March last year. The smelter will now produce only 45,000 tonnes annually.

Analysts suggested that this action would have little impact on prices and aluminium for delivery in three months on the London Metal Exchange closed yesterday down $2.25 a tonne at $1,171.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said the industry "has been slow to respond to the low price environment under which it has laboured for so long". CIS exports to the west could have been as high as 1.2m tonnes last year (including 400,000 tonnes *via unofficial routes*) yet, according the International Primary Aluminium Institute statistics, daily production averaged 41,600 tonnes in January only slightly down from 42,000 tonnes in December and up from 39,700 in January 1992.

Europe's aluminium industry wants the European Commission to implement a quota system or introduce tariffs to reduce substantially imports from the CIS but the German government is against this proposal.

Bankers come to rescue of kiwifruit harvest

By Terry Hall in Wellington

MONTHS OF concern over the future of the New Zealand kiwifruit industry ended this week when a banking syndicate agreed to finance this year's harvest only three weeks before picking was due to start.

The agreement gave a reprieve to the Kiwifruit Marketing Board, which has a monopoly to supply the fruit to all international markets apart from Australia. Its monopolistic position has been under attack by a group called Integrated Kiwifruit Services, which consists of several big companies, linked to overseas fruit groups such as Chiquita Brands.

The Kiwifruit Marketing Board, which was formed in 1988, got into serious financial difficulties last year because of the severe downturn in prices in Europe. It was unable to pay orchard owners progress payments, and has debts of about NZ$80m (£28m).

IKS made a bid to buy half the New Zealand crop at a time when the board was still negotiating to raise money from the banks to finance packing and give a return to growers. With some growers indicating support for the independent company, the banks, led by the National Bank, a subsidiary of Lloyds Bank, appeared to show caution and the negotiations dragged on.

They finally came to an agreement on Wednesday.

The financial agreement sees the banks extend their financing of the existing debt for three years. In addition there is an advance of NZ$80m to help the board pay packing companies, other costs and allow it to pay growers NZ$4 a tray in a series of instalments during the season. This will be subject to market returns after debt repayments. Market returns after that will be split 50:50 between growers and the banks.

Mr John Palmer, the chairman of NZKMB, said that in spite of the agreement it was certain that some growers would not survive because of their own high levels of debt. They had told the board that they needed a minimum NZ$4.50 a tray.

The intervention of the IKS group, whose main spokesman was former Labour finance minister Sir Roger Douglas, caused deep divisions in the industry. *Most of the* companies involved in the group had handled the kiwifruit export crop before the board was set up at the wish of growers.

They unsuccessfully lobbied the minister of agriculture, Mr John Falloon, to end the board's monopoly, and say they are now contemplating legal action to achieve that end. Independent kiwifruit consultants said that although the IKS appeared to be offering more money to growers to win their support, their basic offers were similar, with the board adopting a much more cautious view on likely returns this season.

Fruitgrowers' Federation president Mr Paul Heywood, who supports the board, said that its offer to pay growers $4 a tray was realistic. It meant they could get on with the business of picking and packing this season's crop and was a commercial deal based on reality.

However IKS's Mr Murray Davies said the deal was a disaster for growers, whose interests had been sacrificed to serve the interests of bankers. It left them without enough money to prepare for the 1994 crop, he added.

Import curbs raise hopes for Cretan bananas

EC quotas on "dollar" fruit offers a chance to regain lost markets, writes Kerin Hope

COLLAPSING greenhouses covered in tattered plastic testify to the rapid decline of banana-growing in Crete since Greece was forced to lift a ban on imports four years ago. Production has dropped from more than 20,000 tonnes a year in the mid-1980s to about 5,000 tonnes last year, covering only about 10 per cent of Greek *demand*.

However, the European Community's decision to impose quotas on Latin and Central American bananas, the source of most Greek imports, offers Cretan growers a chance of recovering lost markets on the Greek mainland.

"Local growers are giving up because they can't compete with imports on price. But if the quotas stick, they could get back in because consumption is going up," says Mr George Atsolidakis, an agronomist with the Siteia Development Organisation in eastern Crete.

"The selling point for Cretan bananas is that they're grown using very little fertiliser and pesticide. We've persuaded some producers to give up *chemicals entirely in favour of* dung and insect predators."

While demand for bananas is rising steadily, Greek per capita consumption, at about 5 kg, is still less than half the EC average. Like eastern Europeans, many Greeks had never tasted a banana before the late 1980s. A military dictatorship 20 years ago imposed a ban on banana imports, in an effort to promote production in Crete. The ban was maintained after Greece joined the EC on grounds of protecting the Cretan growers. It took a long legal battle, led by would-be banana importers who took their case to the European Court of Justice, before imports were permitted.

The small fibrous Cretan *banana, descended from plants* brought from Egypt a century ago, was always unlikely to attract consumers. It was only after new varieties were introduced from Israel, together with cultivation methods developed in the Canary Islands, that Cretan bananas started to appear Athens.

Cretan growers, mainly in the east and south of the island where winter temperatures are close to North African levels, spent Dr10bn (£30m) on plastic-covered greenhouses and drip watering systems. When production was at its height, there were almost 500 hectares of greenhouses for bananas in Crete. Only 100 hectares are still in use, and most Cretan bananas are sold on the island, *with tourists among the* biggest consumers.

"We did very well when the producer price was Dr600 a kg. But at less than Dr250 you might as well go back to olives and vines unless you happen to enjoy growing bananas," says Mrs Popi Basias, a grower in Siteia.

Imported bananas are still subject to a Dr195 a kilogram tax, intended to help keep the Cretan producers in business, although it is due to be phased out by the end of 1993 under single market rules.

However, wholesalers in *Athens are reluctant to handle* Cretan bananas, while admitting their quality is better than fruit from Costa Rica and Colombia. "Cretan bananas taste good but they're smaller and have a less attractive appearance than the imports. And even if we start importing more African and Caribbean bananas because of the quotas on dollar bananas, the Cretan product can't really compete," says Mr Myron Mavrikides of Chiquita Hellas, Greece's largest banana importer.

Occidental in $34m deal to explore for oil in Peru

By Sally Bowen in Lima

THE PERUVIAN arm of US-owned Occidental Oil and Gas Corporation has signed a US$34m exploration contract with state oil company Petroperu.

The contract awards exploration rights for six years over an 880,000-hectare (2.2m-acre) area of the Peruvian Amazon, attractive for its proximity to the north eastern oil pipeline.

Occidental is Peru's oldest established private operator, responsible for almost half of the country's present crude output of about 120,000 barrels a day.

The signing underlines a new willingness by the Peruvian state to speed up approval for contracts with private operators. Petroperu's president, Mr Jaime Quijandria, points out that Peru, although almost virgin territory in oil terms, "is not the only petroleum-rich country in the region, nor the most important. We have to *compete for investment with* Ecuador and Colombia to name but two".

Petroperu aims to sign exploration contracts worth a total of at least US$110m a year until the end of the century, according to Mr Quijandria. This will boost both the flagging reserves position and current output. "Peru must aim at supplying all its internal oil requirements and becoming a medium-sized exporter," he says.

Cambior plans Arizona copper development

By Robert Gibbens in Montreal

CAMBIOR, A medium sized Canadian gold producer, plans to invest C$82m (£44m) to develop a low-grade Arizona copper deposit with potential *annual output of 30,000 tonnes* for 10 years starting in 1995.

It will use the heap-leaching method to extract copper from the open-pit properties' ore. Reserves are estimated at 100m tonnes of oxide ore averaging 0.45 per cent copper a tonne. Operating cost will be about 58 US cents a lb.

Cambior expects to raise its gold output by 80 per cent to well over 600,000 troy ounces this year with the opening of its Omi mine in Guyana.

Investment famine blights Filipino mining outlook

Jose Galang on the high price being paid for the country's high-risk reputation

THE PHILIPPINES' mining industry is paying dearly for its inability to attract development capital for over a decade now. Total value of mineral production declined last year by 14 per cent to 20.65bn pesos (£575m), according to the Bureau of Mines and Geosciences.

It blames the fall on low metal prices, increased operating costs and "poor access to replacement capital".

Copper concentrates output dropped by 8.9 per cent to 521,258 tonnes, which was also only half the annual produc*tion achieved in the early* 1980s. Gold output declined 12 per cent to 22.7 tonnes the lowest level since 1980. Chromite production also slumped while nickel output was marginally higher.

Mining officials say the outlook for the next five years remains bleak, and the industry is likely to miss out on any recovery from the current slowdown in world metals markets.

"Because we have not developed any new ore bodies in the past decade there is nothing to work on," explains Mr Joel Muyco, director of the mines bureau. He says that risk capital in the local mining sector has been scarce because the country has been considered a high-risk area since the early 1980s in view of the local political and economic crises.

Perceptions of instability have countered the attractions of the country's huge proven reserves of such minerals as copper, gold, chromite and nickel. In terms of resource endowment (which indicates the potential for discovering an ore body) the country continues to rank among the highest in Asia.

"When the good times come, we have no new ore bodies to offer," says Mr Muyco. Much of the available risk capital is now moving towards other mineral-rich countries such as Indonesia and Papua New Guinea, Mexico and Chile.

The Philippines hopes to attract these capital flows, however, with a new Mining Code that allows 100 per cent foreign equity in a local mining venture. This is actually contained in an executive order issued in 1987 by Mrs Corazon Aquino, the former president. Unfortunately, most foreign investors continue to be *hesitant because the Aquino* order was issued a few months before the country adopted a new constitution, which, among other provisions, limited the exploitation of natural resources to companies with majority Filipino interests.

Argentina and its provinces will sign a federal pact in May to foster mining investments, said Mining Secretary Eduardo Maza, reports Reuter from Buenos Aires. "The federal pact will complement the future mining investments law and mining restructuring law," he said. "It will be an important political signal because it will show that we are planning long-term policies." Mr Maza said congress would approve next month the mining investment and restructuring laws, which include tax breaks for mining projects and limit mining royalties.

Mr Fidel Ramos, the new president, is set to sign "any day now" the first financial and technical assistance agreement under the new mining code, according to Mr Muyco. The scheme allows foreign operators to undertake minerals exploration for their own account, instead of acting as service contractors for local groups. They are required to spend a minimum of $50m, and to reduce their holdings to 40 per cent after recovering their original investments, which could take 18 to 20 years.

The first financial and tech*nical assistance agreement* authorises Arimco of Australia to explore for copper and gold in a 30,000-hectare (75,000-acre) area in Nueva Vizcaya province in Luzon. A second, with Western Mining of Australia, is already lined up for approval.

Bigger wheat surplus forecast

By Richard Mooney

THE WORLD wheat production surplus is likely to grow next season to 8m tonnes from 7m in 1992-93, according to the International Wheat Council's latest report.

The council forecasts 1993-94 production at 568m tonnes, "given normal weather and *growing conditions*", compared with the 562m tonnes now estimated for 1992-93. It puts 1993-94 consumption at 560m tonnes, up from 555m tonnes this season.

Although harvests are expected to be smaller in Western Europe (following a reduction in the European Community's planted area), the former Soviet Union, Asia and the Far East, those falls are expected to be more than compensated by rises in eastern Europe as the sharp fall in 1992-93 is partially recovered, and in North, South and Central America, the Near East, Africa and Australia.

On the consumption side the council points out that the big slide in wheat use from 1990-91's exceptional 574m tonnes to *the 555m tonnes estimated for* 1992-93 concealed a continuing growth in food use in developing countries. And it is to the developing world that it looks *for 1993-94's overall growth* – forecasting an 8m-tonne rise to 310m tonnes, compared with a 3m-tonne fall to 250m tonnes in the industrialised world.

The report raises the wheat council's estimate of the total 1992-93 grain crop to 1.416bn tonnes from last month's figure of 1.412m tonnes, with most of the rise coming from a 3m-tonne increase in the coarse grain's estimate, now 854m tonnes. Total grain consumption for 1992-93 is unchanged at 1.385bn tonnes.

● "Confusion continues to surround the pattern of grain shipments to the republics of *the former Soviet Union," says* the IWC report. "Some existing credit lines have been reactivated, others modified and some remain suspended."

In order to get round these problems, it notes, Russia has engaged in grain barter deals involving aluminium, nickel, uranium, diamonds and timber with Australia, Canada, the EC and under the US Export Enhancement Program.

WORLD COMMODITIES PRICES

MARKET REPORT

London's May robusta **COFFEE** contract tested $900 a tonne but *fell back on profit taking. London* held its value as New York arabica prices weakened by about 1.5 cents a lb, encouraging London to firm. Traders said some producer selling took place in New York but was countered by good-volume fund buying. The fourth day of the ICO talks in London dwelt largely on technical issues and had no impact on the market. London **COCOA** prices edged ahead in featureless trading, unaffected by the latest Gill & Duffus estimate of the world deficit at 118,000 tonnes for 1992-93. New York raw **SUGAR** prices showed light to moderate gains at midday after nearby months bounced smartly from downside lows. **COPPER** edged ahead in US dollar terms on the LME, supported by some light Chinese buying. But dealers expect the next big move to be downwards, as fundamentals are unexpiring and stocks are rising. **LEAD** prices consolidated, following *Wednesday's decline to 6½-year* lows; three-month metal closed at £278.50 a tonne, up £3.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.28-6.30u	+0.06
Brent Blend (dated)	$18.60-8.64u	+0.10
Brent Blend (May)	$18.75-8.79	+0.10
W.T.I (1 pm est)	$20.40-0.42u	+0.16
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$200-201	-0.5
Gas Oil	$177-178	
Heavy Fuel Oil	$76-77	
Naphtha	$173-175	+2.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$332.35	+0.9
Silver (per troy oz)♣	368.5c	+1
Platinum (per troy oz)	$357.30	+0.05
Palladium (per troy oz)	$109.75	+1.1
Copper (US Producer)	101.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	N/A	
Tin (New York)	263.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	132.15p	-1.46*
Sheep (live weight)†♠	133.74p	+12.4*
Pigs (live weight)†	90.10p	-0.10*
London daily sugar (raw)	$285.7	-1.8
London daily sugar (white)	$297.0	+2.5
Tate and Lyle export price	£306.5	-0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (May)♥	63.00p	
Rubber (Jun)♥	63.50p	
Rubber (KL RSS No 1 Feb)	220.0m	
Coconut oil (Philippines)§	$412.5y	-2.5
Palm Oil (Malaysian)§	$407.5x	-2.5
Copra (Philippines)§	Unq	
Soyabeans (US)	£180.0	
Cotton "A" index	60.65c	-0.05
Wooltops (64s Super)	370p	-15

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. y-May/Jun u-May. x-Apr. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
May	257.00	257.00	256.00
Aug	266.50	267.00	266.00 265.40
Oct	245.60	246.00	246.00 244.40
White	Close	Previous	High/Low
May	302.00	300.50	302.50 294.10
Aug	305.00	305.00	306.00 298.00
Oct	288.00	288.00	288.50 278.60
Dec	287.00		285.30 281.50
Mar	283.00	284.00	282.00 277.00
May	283.00	286.00	284.50 277.00
Aug	288.00	292.00	289.40 280.00

Turnover: Raw 189 (13) lots of 50 tonnes. White 1619 (1751) Paris- White (FFr per tonne): May 1697.00 Aug 1738.65

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
May	18.73	18.63	18.78 18.59
Jun	18.81	18.68	18.85 18.68
Jul	18.78	18.69	18.79 18.66
Aug	18.71	18.74	18.75 18.68
Sep	18.75	18.75	18.75 18.70
Oct	18.75	18.79	18.77 18.69
Nov	18.76	18.80	18.79 18.78
Dec	18.80	18.85	18.80
IPE Index	18.63	18.40	

Turnover 14798 (28750)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Apr	174.00	174.50	175.50 174.00
May	171.25	172.00	173.00 171.25
Jun	170.50	171.50	172.50 170.50
Jul	171.50	172.25	173.00 171.50
Aug	173.25	174.00	174.75 173.25
Sep	175.50	176.25	176.75 175.50
Dec	181.75	182.25	182.50 181.25
Jan	181.50	181.75	182.00 181.25

Turnover 6940 (15077) lots of 100 tonnes

FRUIT & VEGETABLES

Oranges are the best fruit buy this week priced between 10-25p reports the FFVIB. English bramley apples 30-35p a lb, French Granny Smith 35-40p a lb and British Columbian Red Delicious 45-50p a lb. Jaffa and Cyprus white grapefruit 15-25p each and Kiwifruit from Italy are 8-12p each. Top Vegetable buy is Brittany *Prince cauliflower at 50-55p each*, English onions at 18-20p a lb and potatoes at 10-14p a lb. English and Dutch cucumbers are increasing in supply as the salad season gets underway, 60-70p each, and celery has come down in price to 45-50p per head and watercress is 35-40p a bunch.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	690	685	694 690
May	698	694	699 690
Jul	709	706	709 701
Sep	722	718	720 714
Dec	741	738	742 738
Mar	761	757	761 755
May	774	771	775 767
Jul	788	783	782 780
Sep	801	798	797

Turnover: 2845 (2330) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 24 705.02 (694.03) 10 day average for Mar 25 701.16 (698.74)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Mar	918	920	912 902
May	896	898	902 892
Jul	868	868	871 863
Sep	879	882	880 876
Nov	893	895	894 890
Jan	904	905	904 903

Turnover 2937 (2471) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 24: Comp. daily 54.83 (54.16) 15 day average 55.16 (55.31)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	41.5	39.2	40.5 39.5
May	42.0	41.5	42.5 41.5
Apr	93.5	93.5	94.0 93.0

Turnover 43 (202) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	141.00	-	141.00

Turnover 25 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Mar	1505	1500	1505 1505
Apr	1470	1460	1470 1460
May	1420	1414	1420 1410
Jul	1268	1263	1270 1263
Oct	1375	1370	1377 1372
BFI	1489	1492	

Turnover 391 (227)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
May	143.75	143.00	144.00 143.50
Nov	110.95	111.00	111.00 110.85
Jan	114.10	114.00	114.25 114.10
Mar	116.55		116.75 116.65
Barley	Close	Previous	High/Low
May	138.70	138.40	138.70
Nov	109.75	110.00	109.75

Turnover: Wheat 72 (67), Barley 8 (90).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	109.5		109.5 109.2
Jul	106.2		106.0

Turnover 9 (2) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,937 lots
Cash	1146.5-47.5	1150.5-51.5	1148	1146-46.5		
3 months	1170.5-71.5	1173-73.5	1175/1169	1170.5-71	1171.5-72	158,161 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,885 lots
Cash	1474.5-75.5	1459.5-60.5	1497/1488	1467-67.5		
3 months	1495-96	1481-82	2192/2182	1488.5-89	2186-89	156,745 lots
Lead (£ per tonne)						Total daily turnover 1,587 lots
Cash	268.5-69.5	265.5-66.5		265-6.5		
3 months	278-79	275-76	279/276	276-6.5	278.5-79	20,853 lots
Nickel ($ per tonne)						Total daily turnover 4,507 lots
Cash	6050-60	5995-6105		6040-50		
3 months	6120-25	6085-70	6145/6080	6110-20	6130-40	41,853 lots
Tin ($ per tonne)						Total daily turnover 1,073 lots
Cash	5685-95	5720-30	5690	5685-90		
3 months	5750-55	5785-90	5790/5745	5750-55	5730-40	8,949 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,932 lots
Cash	997-98	996-97	994.5	994.5-95		
3 months	1016.5-17.5	1016-16.5	1017/1013.5	1014-14.5	1015-16	68,346 lots

LME Closing £/$ rate:
SPOT: 1.4740 3 months: 1.4643 6 months: 1.4584 9 months: 1.4488

LONDON BULLION MARKET		
(Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	332.20-332.50	
Opening	332.40-332.70	
Morning fix	332.65	225.296
Afternoon fix	332.60	225.339
Day's high	333.20-333.50	
Day's low	331.70-332.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.59	6 months	2.46
2 months	2.54	12 months	2.49
3 months	2.49		

Silver fix	p/troy oz	US cts equiv
Spot	249.10	368.25
3 months	252.65	371.00
6 months	256.25	374.00
12 months	263.16	380.40

GOLD COINS		
	$ price	£ equivalent
Krugerrand	332.50-335.50	225.00-227.00
Maple leaf	341.95-344.15	-
New Sovereign	78.00-81.00	53.00-55.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	32	62	3	9
1150	13	44	7	16
1175	3	30	22	26
Copper (Grade A)	Calls		Puts	
2100	84	111	3	18
2150	40	76	7	31
2200	13	49	29	53
Coffee	May	Jul	May	Jul
850	60	55	12	37
900	31	34	33	68
950	14	20	66	102
Cocoa	May	Jul	May	Jul
725	9	31	36	47
750	4	22	66	63
775	2	16	79	82
Brent Crude	May	Jun	May	Jun
1850	33	62	24	43
1900	17	42	50	
1950	6	23		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	332.7	332.5	332.0	332.0
Apr	332.8	332.7	333.8	332.0
May	333.7	333.5	0	0
Jun	334.4	334.2	335.5	333.6
Aug	335.7	335.5	336.3	335.0
Oct	337.2	337.0	338.4	337.0
Dec	338.7	338.5	339.9	338.2
Feb	340.2	340.1	340.8	340.6
Apr	341.7	341.7	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	357.0	360.9	363.0	356.5
Jul	358.0	357.9	369.5	354.0
Oct	356.0	358.9	355.0	355.0
Jan	354.0	356.9	356.1	356.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	370.6	367.8	370.0	369.5
Apr	371.0	368.3	0	0
May	372.0	369.3	373.0	369.0
Jul	374.4	371.7	375.5	371.5
Sep	376.8	374.1	377.5	374.5
Dec	380.4	377.6	381.0	378.0
Jan	380.8	378.0	380.0	380.0
Mar	384.2	381.4	383.0	382.0
May	386.7	383.9	0	0
Jul	389.4	386.6	389.5	388.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	97.15	96.45	97.40	96.90
Apr	97.25	96.60	97.20	96.85
May	97.85	97.00	97.85	97.20
Jun	97.95	97.35	0	0
Jul	98.25	97.65	98.35	97.65
Aug	98.55	97.90	0	0
Sep	98.85	98.25	99.00	99.00
Oct	98.95	98.35	0	0
Nov	99.20	98.60	0	0
Dec	99.55	98.90	99.60	99.30

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
May	20.36	20.24	20.42	20.18
Jun	20.46	20.31	20.50	20.28
Jul	20.49	20.35	20.51	20.31
Aug	20.48	20.38	20.50	20.37
Sep	20.47	20.37	20.47	20.36
Oct	20.45	20.36	20.46	20.35
Nov	20.44	20.35	20.45	20.36
Dec	20.43	20.33	20.43	20.30
Jan	20.43	20.31	20.39	20.31
Feb	20.34	20.29	20.37	20.31

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	58.20	58.14	58.40	57.75
May	56.70	56.45	56.90	56.20
Jun	55.85	55.54	56.00	55.40
Jul	55.85	55.59	55.95	55.60
Aug	56.50	56.14	56.55	56.25
Sep	57.40	57.12	57.50	57.20
Oct	58.30	58.12	58.25	58.00
Nov	59.15	59.02	59.15	59.15
Dec	60.30	59.92	60.30	60.05
Jan	60.50	60.37	60.50	60.30

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	904	897	918	895
Jul	931	919	943	917
Sep	947	944	964	945
Dec	984	981	1000	983
Mar	1015	1012	1012	1011
May	1036	1033	0	0
Jul	1054	1061	0	0
Sep	1076	1073	0	0
Dec	1106	1103	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	61.70	62.40	63.00	61.50
Jul	63.55	64.20	64.40	63.25
Sep	65.20	65.80	66.00	65.10
Dec	67.05	68.45	68.10	67.00
Mar	69.15	70.70	0	0
May	71.00	72.40	71.00	71.00
Jul	72.25	73.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	11.72	11.68	11.90	11.38
Jul	11.91	11.96	12.26	11.75
Oct	11.27	11.10	11.50	11.03
Mar	10.49	10.24	10.70	10.24
May	10.49	10.24	10.65	10.30
Jul	10.49	10.24	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	60.82	61.21	61.53	60.75
Jul	61.77	62.10	62.45	61.67
Oct	61.77	62.06	62.40	61.75
Dec	60.83	61.07	61.35	60.75
Mar	62.00	62.03	62.40	62.00
May	62.57	62.62	62.70	62.60
Jul	63.05	63.07	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	84.90	83.20	85.00	82.50
Jul	87.96	86.25	88.00	85.40
Sep	90.25	89.50	90.25	88.00
Nov	92.50	91.50	92.55	91.40
Jan	94.50	93.75	95.25	93.50
Mar	96.00	94.50	95.00	95.00
May	96.00	94.50	0	0
Jul	96.00	94.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar.25	Mar.24	mnth ago	yr ago
1759.2	1758.5	1779.8	1607.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar.24	Mar.23	mnth ago	yr ago
Spot	127.03	126.85	125.16	117.51
Futures	128.28	130.15	124.93	121.48

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	586/6	592/2	595/0	586/4
Jul	592/0	598/0	600/4	591/4
Aug	594/4	600/2	602/6	594/0
Sep	596/2	602/0	604/0	596/0
Nov	601/2	607/2	609/4	600/6
Jan	608/4	614/4	616/4	608/0
Mar	615/4	621/4	623/0	615/4
May	620/0	625/0	626/0	620/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	20.97	21.31	21.42	20.96
Jul	21.25	21.56	21.65	21.24
Aug	21.33	21.62	21.67	21.32
Sep	21.40	21.67	21.75	21.40
Oct	21.50	21.73	21.78	21.50
Dec	21.67	21.92	21.97	21.66
Jan	21.73	21.96	22.00	21.73
Mar	22.00	22.10	22.10	22.00

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	185.1	185.0	186.7	184.6
Jul	186.4	186.7	188.3	186.1
Aug	187.2	187.8	189.1	187.1
Sep	188.0	188.8	190.0	188.0
Oct	189.0	189.5	190.6	189.9
Dec	191.4	192.1	193.1	191.2
Jan	191.7	192.4	193.5	191.7
Mar	192.5	193.1	194.0	192.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	228/6	228/6	231/0	227/4
Jul	235/2	235/4	237/6	234/0
Sep	239/2	239/6	241/6	238/4
Dec	245/4	246/0	247/4	244/2
Mar	252/0	252/2	253/4	250/4
May	255/4	256/2	257/2	255/2
Jul	259/0	259/4	260/0	257/6
Dec	248/4	250/0	250/4	248/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	349/2	347/4	352/4	347/0
Jul	305/0	307/6	310/4	304/4
Sep	308/0	310/0	312/0	307/0
Dec	316/0	318/0	320/0	315/0
Mar	319/0	322/0	324/0	319/0
Jul	313/0	313/0	315/0	313/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	82.775	82.725	83.125	82.550
Jun	76.775	76.200	77.000	76.100
Aug	73.450	72.825	73.500	72.775
Oct	73.350	72.700	73.500	72.725
Dec	73.450	72.825	73.500	72.725
Feb	72.900	72.250	73.000	72.250
Apr	73.800	73.250	74.000	73.750

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	49.750	49.450	50.050	49.100
Jun	54.850	54.100	55.075	54.100
Jul	52.825	52.100	53.050	52.050
Aug	50.050	49.525	50.175	49.400
Oct	44.950	44.575	45.200	44.300
Dec	45.000	44.950	45.400	45.000
Feb	45.075	45.400	45.550	45.075
Apr	44.150	43.825	44.150	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	49.725	50.925	50.800	48.925
Jul	50.550	51.700	51.200	49.700
Aug	48.300	48.200	49.100	47.500
Feb	48.200	49.050	48.925	49.000
Mar	47.700	46.000	48.500	47.700

LONDON STOCK EXCHANGE

Good rally from early bout of selling

By Terry Byland,
UK Stock Market Editor

INVESTOR's confidence was challenged in the UK stock market yesterday by some discomforting corporate profits statements and by a £200m selling programme from a leading securities house. Equities were hard hit in the first half of the session but staged a successful recovery to regain the important FT-SE 2,850 support level.

Profits news from Wellcome, the leading anti-aids drug manufacturer, and from Redland, the construction group, were negative factors, but traders stressed that, in both cases, it was the meetings with City analysts that did the damage.

Higher profits at Wellcome failed to save the shares from worries that future growth rates might be less dependable. At Redland, concern focused on the preponderence of overseas earnings.

Early firmness in equities melted away as analysts returned from these two important company meetings and the market reaced strongly to the sell programme, reportedly from UBS-Phillips & Drew. Stock market confidence had to meet its first significant test this week without the benefit of any more of the large share placings which have recently been a feature of equity trading. There was a £147.3m rights call from Slough Estates.

Share prices tumbled quickly and trading volume increased as the programme struck home. By mid-session, the FT-SE Index had lost 27.2 points to 2,833.4 and traders were looking uncomfortably towards 2,800 which some have suggested could be the next base mark.

However, a good recovery set in later as Wall Street opened higher and the UK power generating stocks brightened after the Government White Paper appeared to leave their regulatory position unchanged.

At the close of business, the reading of 2,852.8 on the FT-SE Index showed the day's fall reduced to 7.8. Some 4.6 points reflected falls in Wellcome and Redland shares.

Traders expressed satisfaction with the outcome of the session. While some sizeable lines of stock had come on offer, buyers had come forward.

Seaq volume increased by more than 8 per cent over Wednesday's total to 904.3m shares, of which around 63 per cent was in non-Footsie stocks; the total included 128m shares in Ticketing, one of the market's lesser-known stocks.

Retail, or customer, business rebounded sharply in the previous session to record value of £1.69bn, although this figure was swollen by the heavy share placing in George Wimpey.

The heaviest losses yesterday came in those sectors which have most noticeably outperformed the rest of the market since the turn of the year. Properties, where the Slough Estates rights issue could be the first of many, ran into the sellers. But the heaviest losses came in the merchant banks which have been benefiting from excellent profits statements from some leading names.

The FT-SE Index has now lost the gains achieved in the run-up to the UK Budget on March 16. But selling has been moderate and comfortably absorbed in the market. Nor has the flow of rights issues upset share prices to date. However, most strategists agree that share prices will remain vulnerable until there is further indication that the UK economy is securely on the recovery trail.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	30,000	69½	-2
Abbey National	2,000	366½	-1½
Albert Fisher	3,500	72	-1
Allied-Lyons	1,200	565	
Amstrad	2,800	33	-1
Anglian Water	888	527	+2
Argos	774	301	-7
Argyll Group	4,800	348	+4
Arjo Wiggins	2,100	181	+2
Ass. Brit. Foods	1,100	485	+2
Ass. Brit. Ports	834	402	-1
BAA	1,800	790	-8
BAT Inds.	2,400	886	+5
BET	2,400	94	-2
BICC	1,000	388	-12
BOC	1,000	730	-5
BP	7,000	239	
BPB Inds	782	210	-4
BT	14,000	430½	+10½
BTR	3,800	594	+2
Bank of Scotland	1,600	131	
Barclays	4,800	414	-1
Bass	1,900	549	-12
[illegible]	58	130	
Blue Circle	2,700	224	-2
Booker	1,200	410	-19
Boots	4,500	499	-9
Bowater	1,000	494	+3
Brit. Aerospace	1,600	270	-8
British Airways	2,600	283½	+½
British Gas	10,000	285½	
British Land	598	260	-6
British Steel	4,900	83½	-½
Bunzl	422	138	+2
Burmah Castrol	247	700	+2
Burton	4,900	80	-2½
Cable & Wire.	1,500	725	-4
Cadbury Schweppes	2,000	484	-6
Calor Group	228	265	-1
Carlton Comms.	477	748	
Coats Viyella	4,400	228	-5
Comm. Union	827	585	-3
Cookson	984	195	

	Volume 000's	Closing Price	Day's change
Courtaulds	329	550	-9
Dalgety	707	408	-5
De La Rue	147	877	+3
Dixons	5,500	224	-1
Eastern Elect.	1,300	478	-3
East Midland Elect.	1,000	484	+2
Eng China Clays	1,400	489	-6
Enterprise Oil	1,200	522	
Eurotunnel Units	154	479	+4
FKI	3,200	122	-1
Fisons	2,000	186½	-4½
Foreign & Col. I.T.	1,800	120	-4
Forte	6,100	197	-1
Gen. Accident	1,600	570	-10
General Elect.	9,600	308	
Glaxo	7,800	800	+3
Glynwed Int.	463	283	-4
Granada	2,100	385	-8
Grand Met.	1,800	451	-5
GUS A	380	1620	-28
GRE	1,700	179	-2
GKN	990	482	-6
Guinness	3,200	482	+2
HSBC (75p shs)	2,400	608	+1
Hammerson 'A'	779	350	+5
Hanson	10,000	239½	+2½
Hanson Warrants	852	25	+1
Harrisons Crosfield	2,600	174	-1
Hillsdown	3,800	155	+½
IMI	385	298	-2
ICI	2,900	1201	-4
Inchcape	1,700	587	+5
Johnson Matthey	641	459	-3
Kingfisher	1,300	550	+6
Kwik Save	281	761	-2
Ladbroke	5,300	195	-4
Land Securities	2,400	518	-6
Laporte	536	840	+12
Legal & General	2,200	473	-2
Lloyds Abbey	716	425	-4
Lloyds Bank	5,100	508	-7
LASMO	6,700	166	-5
London Elect.	233	483	+4

	Volume 000's	Closing Price	Day's change
Lonrho	6,000	90	-1
Lucas	1,600	139	
MB Caradon	2,500	318	-1
MEPC	607	366	-11
Manweb	565	640	+1
Marks & Spencer	5,100	347	-6
Midlands Elect.	684	502	+1
Morrison (Wm.)	6,000	160	-6
NFC	1,500	257	-4
NatWest Bank	3,960	416	-6
National Power	6,000	336	+12
Next	4,300	181	-2
North West Water	260	506	+2
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1,200	310	-3
[illegible]	111	186	
[illegible]	5,100	494	-11
[illegible]	2,700	480	-1
[illegible]	1,100	284	+4
[illegible]	2,500	244½	+5
[illegible]	8,200	101	
[illegible]	450	160	-4
[illegible]	245	516	+5
[illegible]	1,500	505½	+½

	Volume 000's	Closing Price	Day's change
Shell Transport	4,700	572	+3
Siebe	1,600	445	-4
Slough Ests	2,900	193	-2
Smith (W.H.) A	1,000	410	-14
Smith & Nephew	4,600	163¼	-1½
SmKl Beecham	4,000	404	-12
SmKl Beecham Uts.	2,300	364	-9
[illegible]	687	334	-2
Southern Elect.	786	480	-1
South Wales Elect.	317	552	+6
South West Water	325	645	+4
South West. Elect.	480	688	-2
Southern Water	130	528	+6
[illegible]	[illegible]	[illegible]	[illegible]
Utd. Newspapers	1,700	586	+17
Vodafone	4,600	396	-5
Warburg (SG)	647	626	-15
Wellcome	8,800	818	-72
Welsh Water	186	595	+5
Wessex Water	707	635	+4
Whitbread 'A'	753	461	-9
Williams Hldgs.	287	343	-1
Willis Corroon	1,360	330	
Wimpey	1,600	141	-1
Wolseley	780	888	-3
Yorkshire Elect.	113	540	
Yorkshire Water	142	572	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Mar 15	Mar 29	Apr 19
Option Declarations:	Mar 25	Apr 15	May 6
Last Dealings:	Mar 26	Apr 16	May 7
Account Day:	Apr 5	Apr 26	May 17

*New time dealings may take place from 8.30am two business days earlier.

Advance by power stocks

NEWS THAT PowerGen is to pay a second interim dividend of 7.15p a share, coupled with widespread relief that the Government's White Paper on the coal industry brought no regulatory negatives for the power generators, saw the two English and Welsh generators surge ahead.

PowerGen shares raced up to equal their all-time high of 342p, a net gain of 16, following very heavy turnover of 7.3m shares. Dealers in the utilities sector said the market had expected PowerGen to bring forward payment of the dividend from June to March because of the alterations to Advanced Corporation Tax in the Budget. There was, however, marginal disappointment with the dividend level proposed.

National Power, expected to follow PowerGen in bringing forward its final dividend, climbed 12 to 336p after turnover of 6m shares.

Wellcome worries

Worries that the pace of earnings growth at Wellcome, one of the UK market's most highly-rated companies, could be slowing, alarmed the stock market and drove the shares down by more than 8 per cent.

The growth rate concerns emerged following the post-results meeting with analysts. Earlier Wellcome reported interim profits up from £204.7m to £324.6m but a slightly disappointing interim dividend.

Pharmaceuticals specialists said there were indications at the analysts' meeting that the company's long term growth rates could be slowing down. "If Wellcome is unable to maintain the high rate of earnings expansion, then the impact on the price earnings ratio can and will be dramatic," said a London-based analyst at one of the leading US investment banks.

And at least one of the top London securities houses was said to have adopted an aggressively bearish stance on the shares, because of slowing margin growth, taking the view that the stock price could easily fall below the 800p mark.

At the day's worst, Wellcome shares fell to 807p, but they later stabilised to close a net 72 down at 818p. Turnover in the stock expanded rapidly during the session, reaching 8.7m by the close.

Properties caution

The cash call from Slough Estates was generally well received, chiefly because the shares were offered at such a large discount to the ongoing market price. The 3-for-10 rights at 150p will raise £147.3m which will be used to cut gearing. News of the rights issue sent the shares into retreat, tumbling 12 at one stage, before recovering to close just 2 adrift at 193p. A cautious but generally positive statement helped lift sentiment in the stock.

Some analysts predicted that the Slough issue would be the first of many in the property sector. Property shares have been in vogue in recent weeks, buoyed by talk of recovery and that the sector was at the bottom of the cycle. Last week, James Capel advised clients to go overweight in property, a move echoed by a number of other smaller brokers. Property shares have risen by 8.4 per cent in the past three weeks, against a static performance by the FT-SE All-Share.

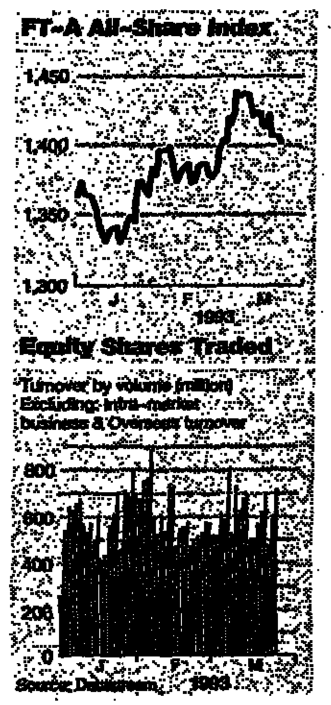
One leading property specialist said: "With share prices moving so far ahead, a lot of the leading property groups are thought to be contemplating rights issues." Favourites to make a call include British Land, the shares off 6 at 260p, and Great Portland Estates, down 3 at 164p.

Redland reverse

The prospect of a rising tax charge in this year and in 1994 and an uncovered dividend served to reverse an early rise in Redland shares. They were strong at first, climbing to 499p after revealing a 19 per cent increase in in preliminary profits and a maintained dividend.

But following the meeting with the company, the shares came under heavy pressure as some analysts cast doubts over the dividend and took a bearish stance on the outlook in Germany, one of Redland's real successes this year. The shares dipped to the day's low point of 459p before picking up to close a net 21 off at 467p. Turnover was above 5.3m shares.

Other building specialists pointed out, however, that much of the selling in Redland reflected profit-taking after the stock's 15 per cent outperformance over the past quarter. "If one accepts the dividend will be maintained, the stock offers a highly attractive 6.7 per cent yield," said one.



Source: Datastream 1993

Headline Book Publishing jumped 12 to 258p after better than expected profits – up 58 per cent – and the 20 per cent increase in final dividend. Analysts were nudging future profits estimates higher yesterday's figures.

Both leisure and drinks stocks were affected by the UBS Phillips and Drew programme trade. Among these, Bass retreated 12 to 549p, Whitbread 9 to 461p and Grand Metropolitan 5 to 451p, although the latter did rally on US support.

There was good two-way business in hotel stocks. Queens Moat Houses was steady at 45p in turnover of 9.8m and Forte slipped a penny to 197p on 6.1m traded.

While results from Booker were in line with expectations, analysts did not like the details, in particular the gearing figure and the cautious note struck on food distribution at the company meeting. The shares fell sharply and continued to come off for most of the day, finishing 19 down at 410p. Food specialists said the fall had made the stock attractive on a yield basis and that a correction may be due. One analyst said that while the pain had been felt in the results for 1992, worries about longer-term earnings growth remained.

A profits warning from Dalepak Food sent the shares tumbling, closing 63 down at 201p, after touching 194p. Argyll Group found some support from NatWest Securities and Lehman Brothers and the shares rose 4 to 348p. Asda retreated 1¾p to 69½p with some suggestions in the market that recent sales talk growth may have been exaggerated.

Talk of a price war in the DIY market rumbled on, hitting related stocks in its wake. Boots fell 9 to 499p and WH Smith dropped 14 to 410p. The two groups own Do It All. Ladbroke, owner of Texas, shed 4 to 195p. However, Kingfisher, owner of B&Q, basked in post-results comments and rose 6 to 550p.

Shares in Laird Group, car components and industrial products, put on 4 to 280p, on speculation, confirmed shortly after the market closed, that it is to pay a second interim dividend of 6.3 p next month, instead of a final payment, making a total of 10.5p for 1992. Market watchers said the move was related to the revised ACT rules announced in the Budget earlier this month.

A 22 per cent profits fall and unfavourable analysts' meeting sent shares in APV, the food manufacturing equipment maker, tumbling. They gave up 11 to 101p, having been lower earlier in the session as analysts reduced current year estimates.

Trading worries, general profit-taking and a broker's sell recommendation combined to exact a toll on Weir Group, the Glasgow- based engineering company, which reported a 14.5 per cent improvement in profits earlier this week. The shares gave up 11 to 638p. NatWest Securities advised investors to sell saying the company, "will not so much disappoint as fail to provide the acceleration in earnings growth that will be essential during the recovery phase to avoid the shares underperforming."

Lines of shares were said to have been available in several stocks in the engineering and aerospace sectors. These included Siebe which closed 4 lighter at 445p, and TI Group, also down 4 at 299p. Smiths Industries also suffered from the same fate with a block of around 250,000 said to have been looking for a home. The shares closed 2 off at 334p.

Merchant banks fell heavily on profit-taking. Hambros, unsettled by news that the Norwegian Guarantee Institute is appealing against a judgement for Hambros relating to the collapse of the Reksten shipping firm in the late 1970's, dropped 19 to 332p. Schroders non-voting stock fell 68 to 1495p, Kleinwort Benson 8 to 385p and SG Warburg 15 to 626p.

The NatWest Securities buy recommendation continued to drive BT shares higher. They closed 10½ up at 430½p on heavy turnover of 14m shares.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 21.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (71).
CANADIANS (1) Hudson's Bay, BANKS (1) Allied Irish, BREWERS (1) Greene King, BLDG MATLS (1) Anglian, BUSINESS SERVS (2) Capita, Wills, CHEMS (1) Porvair, CONTG & CONSTRCN (2) Bellway, Croston, ELECTRICALS (5) Ericsson, Fujitsu, Mitsubishi, TDK, Western Selection, ELECTRONICS (4) Astec, Eurotherm, Forward, ISA, ENG GEN (6) Beauford, McKechnie, Plasmec, Richardson Westgarth, SEP, VSEL, FOOD MANUF (1) Unigate, HOTELS & LEIS (1) Savoy, INV TRUSTS (7) EFM Japan, First Ireland, Fleming Japanese, For. Colonial Pacific, Gartmore Amer. Secs. Zero PL, Overseas Inv., Value & Income, MEDIA (7) Daily Mail, Headline, Johnston Press, Taylor Nelson, Ulster TV, Utd. Newspapers, Wainwright, MISC (3) Headlam, LGW, Lincat, OIL & GAS (4) Calor, Chevron, Occidental, Pittencrieff, OTHER FINCL (4) Burlington, Govett, Ivory & Sime, London Finance, OTHER INDLS (1) Hewitt, PACKG, PAPER & PRNTG (3) Bemrose, Sommore, Ferguson, PROP (7) Daejan, Gallagher, Helical Bar, London Merchant, Safeland, St Mowden, Wood (JD), STORES (1) Fine Art Devlpts., TEXTS (2) Baird (Wm), Coloroll, TRANSPORT (2) Dawsongroup, Sea Containers, WATER (1) Mid Kent, MINES (3) East Rand, FS Consid. Gold, Kidston Gold.
NEW LOWS (15).
BLDG MATLS (2) Kingspan, Needler, ENG GEN (1) Brasway, FOOD MANUF (1) Dalepak, HEALTH & HSEHOLD (3) Glaxo, Lilly (E), SmithKline Beecham Units, INSCE BROKERS (1) Oriel, INV TRUSTS (6) Contra-Cyclical, M & G Dual Inc., M & G Income, Do Geared Units, M & G Second Dual Inc., SPLIT Inc., MISC (1) Erskine House.

FINANCIAL TIMES EQUITY INDICES

	Mar 25	Mar 24	Mar 23	Mar 22	Mar 19	Year ago	High	Low
Ordinary share	2221.3	2235.4	2238.2	2242.6	2268.6	1938.3	2290.5	1670.0
Ord. div. yield	4.42	4.40	4.39	4.39	4.34	4.64	5.34	4.23
Earning yld % full	6.19	6.16	6.17	6.14	6.05	6.69	-	-
P/E ratio net	20.04	20.14	20.19	20.29	20.65	18.79	22.01	15.79
P/E ratio nil	18.62	18.71	18.76	18.83	19.05	17.65	-	-
Gold Mines	110.6	104.6	105.7	106.3	101.2	121.3	169.6	80.0

*for 1992/93. Ordinary share index since compilation: high 2290.5 10/3/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2234.3	2233.8	2227.8	2220.8	2213.7	2212.3	2212.8	2212.8	2217.9	2234.3	2209.9

Volume	Mar 25	Mar 24	Mar 23	Mar 22	Mar 19	Year ago
SEAQ Bargains	40,082	38,785	39,577	38,035	37,797	28,610
Equity Turnover (£m)†	-	1890.6	1348.7	1033.2	1545.8	1130.8
Equity Bargains†	-	43,958	46,790	42,799	42,687	32,854
Shares traded (mil)†	-	726.7	611.4	481.4	709.3	499.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures maintained a healthy premium to the underlying cash market throughout the day in spite of a sharp retreat brought about by a sell programme in the first half of the session, writes Joel Kibazo.

Having opened at 2,867, the March contract moved sharply ahead to 2,875 on news that the Bundesbank had cut its interest rate on its 3-day Treasury bills to 7.5 per cent.

That momentum quickly faded as dealers instead focused on the big sell programme, said to have come from UBS Phillips & Drew. This led to persistent selling of the contract and the June contract recorded a low of 2,840 for the day.

The firm opening in New York, together with sizeable buying from a leading US house helped the June contract to recover.

There was a 10-20 point premium for most of the day and the June contract closed at 2,870, 3 points below its close on Wednesday and 13 points above its estimated fair value to cash of around 9 points.

Turnover was around 10,000 contracts.

Dealings in traded options were quite heavy and volume closed at 41,576 lots. Some 6,348 contracts were dealt in the FT-SE 100 option and 3,059 in the Euro FT-SE 100 option. Among the stock options, Dixons led the way with 2,136 contracts and was followed by Prudential at 1,981 lots.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2852.8 -7.8	3113.6 -24.4	1399.64 -5.36

	Mar 25	Day's change %	Mar 24	Mar 23	Mar 22	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2852.8	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Constrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-12.3
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-21.1
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-7.4

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992/93 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
Treas 10pc 1993‡‡		100⅝	—	101⅜	98¼	10.00	[illegible]
12½pc 1993‡‡		102⅛	+1/32	104⅛	100⅞	12.24	[illegible]
Funding 6pc 1993‡‡		100⅛	—	100¼	95⅜	5.99	[illegible]
Treas 13¼pc 1993‡‡		105¼	—	107⅝	103⅜	13.06	[illegible]
[illegible]							

Continued on next page

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾xd	-½	21¼	14⅝	13,680	2.8
Allegheny & W	♥	558p	+15	571p	226p	290.8	3.7
Amdahl		440p	-97	1158p	438p	494.1	1.6
Amer Cyanamid		33⅞	-⅝	38⅝	28⅞	3,042	3.4
Amer Express		18½xd	-⅛	19½	10⅞	8,982	3.7
Amer T & T		38⅞xd	+⅛	40⅞	20⅛	51,450	2.3
Ameritech		51⅞	+¼	52¾	32½	22,712	4.9
BankAmerica		33¼xd	-½	38⅛	19¾	11,828	2.9
Bankers NY		48⅞xd	+⅛	51⅛	25⅞	3,988	4.3
Bell Atlantic		36⅛		39⅛	23⅛	15,638	5.1
BellSouth		37	+⅛	39⅞	25	18,284	5.2
Bethlehem Steel	♥	12¼xd	-⅞	13¾	5¾	1,108	-
Bowater		1616pxd	-10	1682p	905p	585.6	1.7
CPC		30⅞xd	+½	34⅞	22⅞	4,676	2.9
Cadiz Land Inc	♥	115p		342p	108p	-	-
California Engy		1435p		1478p	581p	261.3	-
Chase Manhattan		23⅞xd	-¼	24½	9⅛	3,582	3.5
Chrysler		28¼xd	+⅛	28⅞	6⅛	7,887	1.6
Citicorp		18½xd	-⅛	20⅛	5⅞	7,128	-
Colgate-Palm		44¼xd	+¼	45⅞	25¼	7,085	1.9
Cont'l Bank		1810p	-10	1849p	499p	1,629	2.3
Dana		31⅛xd	+⅛	34⅞	14⅞	1,427	3.5
Data General		834p		1084p	394p	230.1	-
Docora Inds	♥	148p		146p	56p	-	-
Dun & Brad		40⅝	+½	42⅞	27⅞	7,238	3.9
Eaton		88½	+1½	88⅝	32½	2,823	2.6
Echlin		16½xd	+⅛	18⅞	7⅞	945.7	2.9
FPL		25⅞xd		27⅞	17⅞	4,618	6.7
Ford Motor		35½	-⅛	35⅞	15	17,328	1.9
Gen Elect		60⅞xd	+1⅞	61¼	35¾	51,988	2.8
General Host	♥	623p		723p	380p	-	3.9
Gillette		40⅛xd	+⅛	42⅞	23⅞	8,817	1.2
Hasbro		20⅞		23½	12⅞	1,815	0.8
Honeywell		22⅝xd	+⅛	24⅞	16	3,118	2.7
Houston Inds		31⅞		33⅞	22	4,112	6.5
IBM		34¼xd	-1⅞	54½	29⅝	19,542	4.3

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited are a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited are a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Europa Mins		15	—	82½	7	7.22	–
Glencar Expl Ir	‡‡	6½	–½	16	6	1.28	–
Greenwich Res	‡□	12½	—	16½	2	8.64	–
Hemlo Gold C$		24¾	—	25⅞	23½	478.8	2.1
Ivernia West Ir	‡‡□	46	—	63	30	34.3	–
Kenmare	‡□	7¼	+¼	8	2¼	6.98	–
Mallage Res		18½	—	48	8	1.71	–
Nevan Res Ir	‡	31	+1	36	16	4.16	–
5pc Ln Notes		31	—	34	25	5.84	–
Oryx Gold		55½	—	163	48¾	–	–
Pateas		3f	—	13	3	1.37	–
RTZ	‡□	578xd	–1	784	488	6,789	3.8
Vaxcaye	‡□	5¼	—	5¾	1	2.84	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are *denominated* in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

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Annual subscription £250.00 stg.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378

	Bid Price	Offer Price	+ or -	Yield Gross
Prolific Life & Pensions Ltd				
Skamongate, Kendal, Cumbria LA9 4UB (0539) 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Adventurous Mngd	168.6	177.3	+0.1	-
Balanced Gwth Mngd	690.0	724.4	-0.9	-
Cautious Mngd	129.5	137.8	—	-
Cash Fd	319.0	336.2	—	-
Property Fund	217.1	231.0	—	-
Gilt Fund 20	461.1	479.9	-0.5	-
Equity Fund	779.4	829.2	+1.8	-
Fxd. Int. Fund	422.9	445.7	-1.2	-
International	347.2	369.4	+1.4	-
High Income	614.7	654.0	-2.4	-
Technology	450.2	479.0	+0.9	-
North American	471.6	507.8	+1.6	-
Far East	460.0	489.4	+0.4	-
Special Sits	553.5	588.8	-2.8	-
Extra Inc Fd	330.9	352.1	-1.3	-
American Income	191.2	203.5	+0.5	-
Convertible & Gilt Fd	161.2	171.5	-0.1	-
European Fund	126.8	134.9	+0.5	-
Pref & Fixed Int	113.1	120.4	+0.1	-
UK Blue Chip	118.7	125.1	-0.7	-
Recovery Fund	121.0	127.6	-0.7	-
Equity Income Dist	109.8	116.7	-0.1	6.08
Managed Dist	103.8	110.5	+0.2	5.77
High Yield Dist	105.4	111.1	-0.1	7.75
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd	169.7	178.7	+0.1	-
Equity Acc Fd	413.0	434.8	+0.6	-
Managed Acc Fd	367.9	387.2	—	-
Prop Fd (1st Issue)	-	667.2	—	-
Prop Acc Fd (2nd Iss)	128.7	135.5	—	-
Unit Trust Acc Fd	178.4	187.8	—	-
RL Pension Funds				
Deposit Acc	247.6	260.6	+0.1	-
Equity Acc	311.4	327.8	+0.6	-
Fixed Int Acc	256.5	270.0	—	-
Gilt Indx Lnk Acc	195.5	205.8	—	-
Managed Acc	411.9	433.6	—	-
J Rothschild Assurance PLC				
J Rothschild House, Dollar Street, Cirencester				
Telephone 0285 640302 Helpline 041-307 6500				
Life Funds				
Income Distribution	99.2	104.5	-0.2	-
JRA/M&G Managed	120.8	127.2	—	-
JRA/Scottish Amicable Mngd	116.3	122.5	-0.4	-
JRA/St James's Place Mngd	124.1	130.7	-0.1	-
Deposit	100.7	106.0	—	-
Far East	125.1	131.7	+0.2	-
Gilts	109.2	115.0	—	-
Greater European	115.2	121.3	—	-
North American	136.2	143.4	+0.3	-
UK Equity	121.9	128.4	-0.1	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

MANAGEMENT SERVICES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

JERSEY (SIB RECOGNISED)

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

Eagle Star – Global Assets Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u)

Schroder International Selection Fd (u)

Bankers Luxembourg S.A.

H.C.M. HYPO Capital Mgt Luxembourg SA

Julius Baer Bank & Trust Co Ltd

Banque Fr Serv & CoEurop Inv Mgt Ltd

Barclay Eurobourse Fund Ltd

Baring International Group

The Batavia Fund Ltd

Global Asset Management Contd.

Global Government Plus Fund

Goldman Sachs

ORIENT Growth Fd

PFC Internatl Portfolio Fd Mngt Ltd

PRS International

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar/D-Mark checks decline

THE DOLLAR perked up against the D-Mark yesterday, rising more than a pfennig in late European trading, as dealers kept their attention fixed on the fluid political situation in Russia, *writes James Blitz.*

For most of this week, the D-Mark had been pushing the dollar downwards, with the US currency trading on Wednesday below DM1.63. Some dealers have even wondered whether a break below DM1.60 was possible this week.

But the dollar managed to check the trend yesterday, closing in London at DM1.6420, up nearly 1½ pfennigs on the day.

The dollar's rise may have been partly due to signs that the political crisis in Moscow was easing off. This may seem an ironic claim, because the US currency has tended to perform well at times of international crisis when it is seen as a safe haven for investors.

However, although the D-Mark has itself come under some pressure in Europe because of events in the former Soviet Union, the dollar/D-Mark rate has slid this week. One factor weighing the US currency down may be fears that political instability in Russia would threaten President Bill Clinton's peace dividend and his attempts to reduce the US budget deficit.

Yesterday's decision by Mr Ruslan Khasbulatov, the speaker of the Russian parliament, not to seek the impeachment of President Yeltsin, may therefore have boosted the US currency. Profit-taking following the dollar's fall may also have been a factor helping the dollar up.

Another cause for the D-Mark to weaken yesterday was the Bundesbank's decision to cut the interest rate on its 3-day Treasury bill by 90 basis points to 7.5 per cent.

Some dealers described the move as a significant easing of Bundesbank policy because the Treasury bill rate is sometimes seen as marking the effective floor for all German cash market rates.

The move underpinned the French franc against the D-Mark inside the European exchange rate mechanism. The French currency closed at FFr3.3990 from a previous FFr3.401. Sterling also performed more strongly, closing up ¼ a pfennig at DM2.4200.

Despite the Treasury bill move, the Portuguese escudo slipped sharply against the D-Mark yesterday, prompting currency intervention from the Bank of Portugal.

A recent disagreement between the Portuguese central bank and the finance ministry over economic policy continued to hang over the currency. The escudo closed at Es92.72 from a previous Es92.93 on Wednesday night.

Another currency to remain weak against the D-Mark was the Italian lira, which closed in London barely changed on the day at L976.4. One analyst said that rumours in the market that Moody's rating agency was about to downgrade Italy's sovereign debt was a factor keeping the lira weak.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.572	-2.52	3.28	41
Irish Punt	0.809996	0.797980	-1.48	2.19	51
Dutch Guilder	2.20045	2.18045	-0.91	1.60	28
Belgian Franc	40.2802	39.9762	-0.75	1.44	20
D-Mark	1.95294	1.93937	-0.69	1.38	23
Portuguese Escudo	180.624	180.455	-0.09	0.77	-1
Danish Krone	7.44934	7.45275	0.05	0.63	-18
French Franc	6.54988	6.59423	0.68	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

Mar 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4720 - 1.4795	1.4735 - 1.4745	0.37-0.35cpm	2.93	1.02-0.98pm	2.73

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Mar 25	£	$
Greece	325.700 - 332.250	220.540 - 224.950
Hong Kong	11.4010 - 11.4130	7.7310 - 7.7320
Iran	2200.00*	1485.00*
Korea(Sth)	1161.65 - 1180.35	790.50 - 796.25
Kuwait	0.44945 - 0.45100	0.30450 - 0.30550
Luxembourg	49.80 - 49.90	33.80 - 33.90
Malaysia	3.8270 - 3.8375	2.5970 - 2.5985
Mexico	4.5880 - 4.5910	3.1095 - 3.1115
N.Zealand	2.7590 - 2.7630	1.8700 - 1.8725
Saudi Ar	5.5275 - 5.5385	3.7495 - 3.7505
Singapore	2.4190 - 2.4280	1.6430 - 1.6440
S.Af (Cm)	4.6845 - 4.6950	3.1790 - 3.1810
S.Af (Fn)	6.7285 - 6.7430	4.5600 - 4.5700
Taiwan	38.50 - 38.65	26.10 - 26.20
U.A.E.	5.4125 - 5.4250	3.6715 - 3.6735

*Floating rate. Iran Official rate:£98.50 $66.30

EXCHANGE CROSS RATES

Mar.25	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.474	2.420	173.0	8.225	2.243	2.723	2363.	1.834	49.85	172.8	1.250
$	0.678	1	1.642	117.4	5.580	1.522	1.847	1603	1.244	33.82	117.2	0.848
DM	0.413	0.609	1	71.49	3.399	0.927	1.125	976.4	0.758	20.60	71.40	0.517
YEN	5.780	8.520	13.99	1000.	47.54	12.97	15.74	13659	10.60	288.2	998.8	7.225
F Fr.	1.216	1.792	2.942	210.3	10.	2.727	3.311	2873	2.230	60.61	210.1	1.520
S Fr.	0.446	0.657	1.079	77.13	3.667	1	1.214	1053	0.818	22.22	77.04	0.557
N Fl.	0.367	0.541	0.889	63.53	3.021	0.824	1	867.8	0.674	18.31	63.46	0.459
Lira	0.423	0.624	1.024	73.21	3.481	0.949	1.152	1000.	0.776	21.10	73.13	0.529
C $	0.545	0.804	1.320	94.33	4.485	1.223	1.485	1288	1	27.18	94.22	0.682
B Fr.	2.006	2.957	4.855	347.0	16.50	4.499	5.462	4740	3.679	100.	346.6	2.508
Pta	0.579	0.853	1.400	100.1	4.760	1.298	1.576	1367	1.061	28.85	100.	0.723
Ecu	0.800	1.179	1.936	138.4	6.580	1.794	2.178	1890	1.467	39.88	138.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
115	-	-	-	-	0.37	0.79
116	-	1.50	-	-	0.63	1.10
117	-	0.83	1.54	0.16	1.02	-
118	-	0.48	1.06	-	-	-
119	-	0.24	0.70	-	-	-
Open Int	27,901	189,575	35,375	14,919	131,531	30,408

Estimated volume 24,379 † Total Open Interest 440,188
† All Yield & Open interest figures are for the previous day.

	Close	High	Low	Prev.
Jun	2865.0	2875.0	2840.0	2873.0
Sep	2883.0			2891.0
Dec				

Estimated volume 11656 (8739)
Previous day's open int. 39941 (40030)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4740	1.4704	1.4639	1.4550	1.4412

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williman Secs	6
Standard Chartered	6
TSB	6
Unibank plc	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

More bullish mood

THERE was a more bullish mood about German interest rate cuts in European cash and futures markets yesterday after the Bundesbank reduced the interest rate on its 3-day Treasury bills, *writes James Blitz.*

The Bundesbank brought down the rate on these bills by 90 basis points to 7.5 per cent. Some dealers were very surprised by the extent of the move, and saw it as another clear example that the German authorities were prepared to ease policy aggressively.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

According to Mr Jonathan Hoffman, an economist at Credit Suisse First Boston in London, the international market does not tend to focus on the T-Bill rate because of the predominance of the discount and Lombard rates. However, he says that the 3-day T-Bill rate can form the effective floor for call money – or the overnight rate of lending – because the Bundesbank uses the bills to mop up excess liquidity in the money system.

Mr Hoffman believes that commercial banks may have been unwilling to bring German call money lower in recent days because they could borrow T-bills from the Bundesbank at 8.40 per cent.

Others, however, saw the change in the Treasury bill rate as a technical move which did little more than bring these instruments into line with the recently-reduced Discount rate. One analyst said the 3-day German Treasury Bill market provided only a limited amount of D-Mark liquidity, in any case.

In any event, the move had a positive effect on rates in the German cash market. Call money came down to 8.45 per cent from 8.52 per cent on Wednesday night. However, 3-month money was more or less unchanged at about 7.91 per cent.

The move had a positive effect on short-dated Euromark futures. The June contract was at one stage 10 basis points above its previous closing level, at 92.95, although it later fell back to close at 92.93. At this level, the market is looking for 84 basis points off 3-month money by June.

Rates in the sterling market were unchanged. Three-month money closed at 6⅛ per cent. The June short sterling contract was squeezed up to 94.20 following the Germen Treasury Bill move but later fell back to 94.15. A small shortage of £500m forecast by the Bank of England was easily removed.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.25)	3 months US dollars	6 months US Dollars	
bid 3⅛	offer 3¼	bid 3$\frac{3}{16}$	offer 3$\frac{5}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.00	Three year	4.33
Broker loan rate	5	Two month	3.08	Five year	5.17
Fed.funds	3	Three month	2.96	Seven year	5.63
Fed.funds at intervention	-	Six month	3.09	10-year	5.97
		One year	3.28	30-year	6.83
		Two year	3.91		

Mar.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.40-8.50	8.26-8.40	7.90-8.00	7.85-8.00	7.45-7.55	9.00
Paris	10⅞-11	11⅜-11⅞	-	10$\frac{15}{16}$-11⅛	-	9.10
Zurich	5⅜-5⅝	5¼-5⅜	-	5$\frac{5}{16}$-5$\frac{7}{16}$	-	-
Amsterdam	7.87-8.00	7.85-7.90	-	7.62-7.57	-	-
Tokyo	-	-	-	-	-	-
Milan	-	11$\frac{9}{16}$-11$\frac{7}{16}$	-	11$\frac{7}{16}$-11$\frac{5}{16}$	-	-
Brussels	9.68-9.93	9.75-9.87	-	9.31-9.43	-	-
Dublin	9⅞-10	10¼-10⅜	10⅜-10½	10⅛-10¼	9⅞-10	-

LONDON MONEY RATES

The Prudential Insurance Company of America
U.S. $500,000,000
Collateralized Mortgage Obligations
Series 1986-1

For the period 25th March, 1993 to 26th April, 1993 the Bonds will carry an Interest Rate of 3.6375% per annum with an Interest Amount of U.S. $30.00 per U.S. $50,000 (the original Principal Amount) Bond, payable on 26th April, 1993. The Principal Amount of the Bonds outstanding is expected to be 18.555727070% the original Principal Amount of the Bonds, or U.S. $9,277.86 per Bond until the Seventy-Sixth Payment Date.

Bankers Trust Company, London — Agent Bank

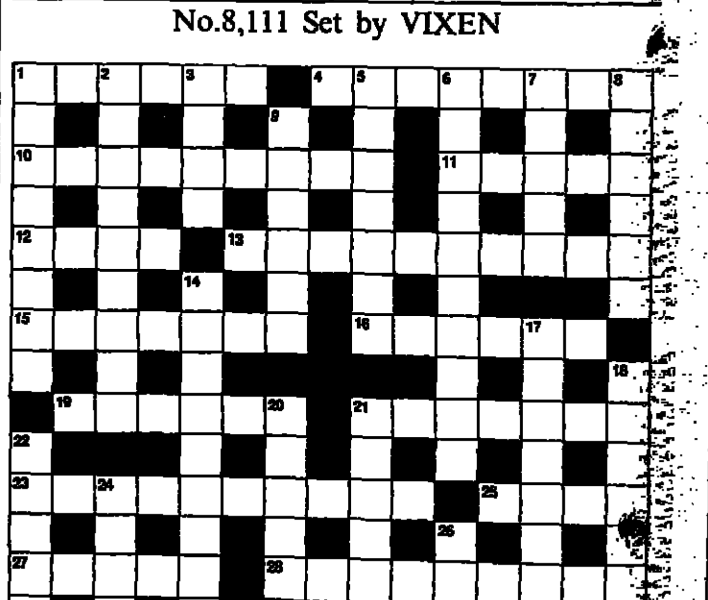
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,111 Set by VIXEN



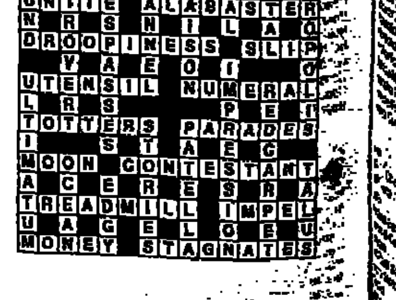
ACROSS

1 Don't forget to phone again (6)
4 Skinhead making sport of using the needle (8)
10 Hide their output (9)
11 The cleaner would be a dolt to retire (5)
12 Fat boy – about right (4)
13 Tease a bungler, popular though shabby fellow (10)
15 Managed to get back, estimate, and present an account (7)
16 A game of cards in the car tends to keep children quiet (6)
19 The wildly disorderly individual can aim to change (6)
21 No-one with painful back is eating (7)
23 Guy organised gate-men, giving ruling (10)
25 A direction about parking at the east end of the church (4)
27 A disheartening device (5)
28 Playing tennis – it's demanding (9)
29 Make a song about never appearing contemptuous (8)
30 "Angels and ministers of grace —— us" (Shakespeare) (6)

DOWN

1 Making a noise and causing annoyance (8)
2 Many in time look back, which is a bloomer (9)
3 Takes things easy – tells stories (4)
5 Pale after a motorway mishap (7)
6 Requiring settlement, call a court assessor (10)
7 A player s shot if including no loud music! (2-3)
8 Old lady getting tied in a knot (6)
9 Weary about commercial abuse (6)
14 Well this person simply doesn't want to work (10)
17 To follow only a little is just the end! (9)
18 Surely conservationists will be content when it's ordered (8)
20 A poet writing in flowery language? (7)
21 He's a high-flier – a good man (6)
22 Lays off about a thousand fishing boats (6)
24 Will is among the keener vegetarians (5)
26 3 sporting in the water (4)

Solution to Puzzle No.8,110



WORLD STOCK MARKETS

AUSTRIA

March 25	Sch	+ or -
Austrian Airlines	1,625	+15
Creditanstalt PC	516	+6
EA General	3,475	+20
EVN	785	+5
Lenzing	540	-5
OeMV	885	+8
Perlmooser Zement	880	+20
Radex Heraklith	308	+2
Reininghaus Brau	1,280	+20
Steyr Daimler	182	+1
Veitscher Magnesit	221	+2
Verbund (Br) A	435	-3
Vienna Int Airport	504	+6
Wienerberger	3,175	-9
Z-Laenderbank	1,040	—

BELGIUM/LUXEMBOURG

March 25	Frs.	+ or -
AG Group	2,490	—
Ackermans	2,985	—
Almanij	7,320	+20
Arbed	2,800	+40
BBL	3,840	-20
Bank Intl a Lux	11,800	—
Banq Gen Lux Prs	16,800	-300
Banque Nat Belg	34,500	—
Bekaert	14,825	-75
CBR Cement	8,780	+40
CMB	1,840	-5
Cobepa	4,880	+10
Cockerill Priv	111	-1
Colruyt	5,880	+20
Delhaize Frs Lion	1,290	-2
Electrabel	6,205	+20
Electrabel AFV1	6,130	+80
Electrafina ACT	2,450	-30
GBL	3,350	+10
GBL AFV 1	3,260	-10
GIB Group	1,140	+20
Generale Banque	8,400	—
Gevaert	7,230	-20
Glaverbel	3,400	+70
Intercom	2,550	—
Kredietbank	6,870	-10
[illegible]	[illegible]	[illegible]

FRANCE

March 25	Frs.	+ or -
AGF	605	+13
Accor	718	+7
Air Liquide	784	+15
Alcatel Alsthom	648	+10
Axa	1,325	+29
BIC	1,077	+7
BSN	980	+5
BNP Cert Inv	528	+14
Bancaire Cie	477.80	+8.8
Bongrain	2,880	-33
Bouygues	710	+20
CGIP	1,149	-20
Canal+	1,333	+68
Cap Gemini S	195.50	+7.8
CarnaudMetalbox	221	-15
Carrefour	2,632	+23
Casino	163	+1.70
Chargeurs	1,280	+17
Club Mediterranee	395	+4
Coflexip	396	—
Colas	580	-20
C C F	244	+7
Cr Fonc France	1,124	+14
Cred Lyon CI	686	+18
Credit Local Fr	410	-7
Credit National	1,292	-18
Damart	3,695	+61
Docks de France	482	+6.9
Dollfus Mieg Cie	295	+18
EBF	735	—
Eaux Cie Gen	2,348	+67
Ecco	405	+9.40
Elf Aquitaine	381.10	+11.10
Elf Aquitaine Certs	291	+3.30
Elf Sanofi	1,010	-10
Eridania B-Say	609	+16
Eridania B-Say CI	665	+5
Essilor Intl	435	+8
Eurafrance	2,200	+100
Euro RSCG	1,645	+25
Euro Disney	528	+4
Fin Paribas	87.80	+.80
Fimalac	409	—
Fonc Lyonnaise	132.60	+.90
Fromageries Bel	635	+5
GTM-Entrepose	3,850	+35
Gal. Lafayette	425.10	+3.5
Gaumont (Soc N)	1,521	-20
Geophysique	580	+9
Havas	572	+17
[illegible]	479.60	+5.20

TOKYO - Most Active Stocks

Thursday March 25, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NEC Corp	14.0m	835	+63	Oki Electric Ind	5.8m	455	+57
Fujikura Ltd	8.5m	780	+82	Hitachi	5.3m	783	+81
Furukawa Elec	8.4m	607	+100	Mitsui Min & Sml	4.8m	458	+10
Fujitsu Ltd	7.2m	640	+35	Kansai Electric	4.8m	1,080	+10
Nippon Comsys	5.5m	985	+59	Nippon Steel	4.5m	335	+8

4 pm close March 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¼	AAR Corp	0.48	4.0	21	193	12	11⅞	11⅞	-⅛
28½	18	A L Labs A	0.18	0.8	38	683	24⅛	23⅝	23⅞	+1½
68¾	52⅝	AMP Inc	1.60	2.6	22	1393	60⅞	59⅞	60⅜	+¾
80¼	54⅞	AMR			9	2214	63½	62¼	62¾	
2⅞	1⅜	ARX			10	73	1⅞	1¾	1¾	
53½	29⅞	ASA	2.00	5.0	26	657	40	39¼	39¾	
34¼	22⅝	Abbott Lab	0.60	2.5	16	11658	24¾	23⅞	24⅛	+⅜
13⅞	10¼	Abitibi Pr	0.50	4.0	4	2100	12⅝	12⅝	12⅝	
11⅝	10⅛	ACM Gvt In	0.96	8.5		482	11¼	11	11¼	+⅛
10⅜	9	ACM GvOpp	0.79	8.4		47	9⅜	9¼	9⅜	+⅛
9¾	8½	ACM Gvt Sp	0.79	8.4		209	9½	9⅜	9⅜	-⅛
11⅜	9⅞	ACM Gvt Se x	0.96	8.7		213	11⅛	11	11	
10⅞	8⅝	ACM Man	1.08	10.2		86	10¾	10⅝	10⅝	
12⅞	8⅝	ACM Mnmgd	0.78	8.3		785	9⅜	9⅛	9⅜	+⅛
11¾	4¾	Acme Cleve	0.40	5.1	16	90	8	7⅞	7⅞	-⅛
9¼	3¾	Acme Elecl			750	171	7⅝	7¼	7½	-⅛
33¼	12⅛	Acuson			12	390	13¼	13	13⅛	+⅛
22¼	18⅛	Adams Expr	0.48	2.3	1	29	21¼	21⅛	21¼	+⅛
52⅞	29½	Ad Micro	3.00	5.9		225	50⅞	49⅝	50⅞	+1⅛
24⅜	7½	Ad Micro P	3.00	13.0	8	3681	23¼	22¼	23⅛	+⅞
9⅛	4⅞	Advest Grp	0.16	2.3	14	81	7	6⅞	7	+⅛
48⅜	33	Aegon ADR	1.35	2.8	9	29	48¼	48	48¼	+⅜
53¾	38	Aetna Li	2.76	5.8	945	2192	47⅝	46½	47¼	+½
14½	8⅜	AFR A	0.24	2.0	30	549	12¼	12	12¼	+¼
36⅞	24	Aflac	0.44	1.2	15	1965	35⅜	34⅞	35⅜	+⅜
22⅛	13	Ahmanson	0.88	4.5	9	2055	19⅝	19½	19⅝	
22½	4	Aileen Inc			22	21	6¼	6⅛	6¼	
49½	36½	Air Pr Chm	0.88	1.9	18	581	45¼	44⅝	45¼	+¾
29¾	12½	Airborne Frt	0.30	1.3	188	1178	22½	22	22⅜	-⅛
24⅞	11¼	Airgas Inc			33	114	24	23½	24	+⅝
14¼	8⅛	Airlease	1.60	11.4	11	180	14	13½	14	-¼
104	99	AlaPw8.16	8.16	8.0		4	b104	104	102½	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close March 25

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close March 25

FINANCIAL TIMES

Friday March 26 1993

AMERICA

Recovery in drug issues lifts Dow at midsession

Wall Street

AN EARLY round of program buying lifted Wall Street yesterday morning, *writes Karen Zagor in New York.*

At 12.30 pm, the Dow Jones Industrial Average was up 11.89 at 3,457.27. The more broadly based Standard & Poor's 500 rose 1.64 at 449.71, while the Amex composite gained 0.54 at 418.82, and the Nasdaq composite firmed 3.96 at 678.32.

Trading volume on the NYSE was some 133m shares by 12.30 pm, and rises outnumbered declines by 974 to 695.

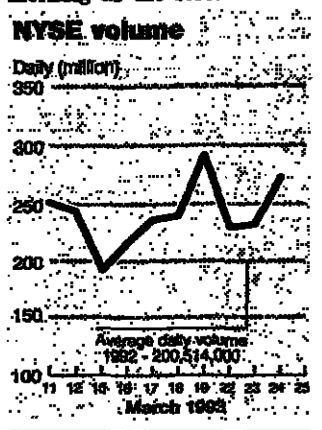
Equities were helped by a recovery in drug stocks, which fell on Wednesday following Merck's disappointing earnings forecast.

Merck firmed $¼ to $35, Pfizer added $¼ to $58⅝ and Abbott Laboratories rose $⅝ to $24¼. Bristol-Myers Squibb, however, eased $¼ to $57⅞.

Market sentiment also benefited from signs that tensions are easing in Russia after Mr Ruslan Khasbulatov, a rival of President Boris Yeltsin, said that he opposed the impeachment of the latter.

In the oil sector, Getty Petroleum soared $1⅞ to $12 as it reported fourth quarter net income of 54 cents a share, up from 26 cents a year earlier. Among the other energy stocks, Exxon gained $⅛ at $65¼, Mobil held steady at $69⅝ and Chevron slid $⅝ to $81⅞.

The erosion continued in the share price of International Business Machines yesterday morning as the stock was hit by worries about the sector on Wednesday after Amdahl predicted a bad first quarter. Investors were also uneasy on reports that Mr Louis Gertsner, chairman of RJR Nabisco, would soon be named head of IBM.



MEXICO continued its rally on the third consecutive weekly drop in domestic short-term interest rates, the bolsa's key IPC gaining another 37.07, or 2.2 per cent at midday yesterday to 1,739.17, up 4.7 per cent since Monday's close.

Investors had hoped a computer industry specialist might be named to the position. At mid-session, IBM was $⅜ lower at $50⅞ but Amdahl moved $¼ higher to $6⅝.

Other computer issues revived after Wednesday's declines including Digital Equipment, up $1⅛ to $43⅝ and Hewlett-Packard, $1 higher at $73⅞.

A number of big stocks were actively traded including Philip Morris, down $⅛ to $62, IBM off $⅝ to $50⅛ and General Motors $⅝ lower at $38⅛.

Campbell Soup rose $⅞ to $43⅞ after it increased its quarterly dividend to 25 cents a share from 22 cents.

Technology and healthcare issues dominated Nasdaq morning trading. Oracle System firmed $1⅞ to $37⅛, Amgen was unchanged at $34⅞ and US Healthcare improved $⅛ to $40⅛.

Canada

TORONTO rose in brisk dealings, boosted by firmness in oil and gas issues and in transport stocks. By 1pm, the TSE-300 index was was 9.80 higher at 3,613.50 in volume of 36.5m shares.

Among active stocks, Thomson, the publisher, rose C$⅛ to C$15⅞ while Mitel, which issued a statement saying it knows of no reason for the rise in its share price, added 24 cents to C$2.86.

EUROPE

Chirac's views help Paris to 2.4% gain

AN EASING of political tension in Russia helped to improve sentiment yesterday, *writes Our Markets Staff.*

PARIS was excited by a number of external factors on the first day of the new account and, assisted by futures buying, the CAC-40 *index regained the 2,000 level* for the first time in two weeks. The index closed up 46.79, or 2.4 per cent, at 2,001.36 in turnover estimated at FFr3bn.

Comments by Mr Jacques Chirac, leader of the Gaullist RPR party, which polled the most votes in last Sunday's election, stressing that economic growth was essential for the country was interpreted by some investors as opening the way for an easing in the *franc fort* policy and lower interest rates.

Carnaud Metalbox, down FFr15 or, 6 per cent, at FFr221, continued to draw interest as CGIP, one of the major shareholders, was reported to be discussing the purchase of MB-Caradon's 25 per cent stake at FFr190 a share. CGIP fell FFr20 to FFr1,148 while Pechiney International, which at one stage had been rumoured to have been interested *in buying* a stake, rose FFr8 to FFr223.

LVMH gained FFr78 to FFr3,625 as a number of brokers lifted their recommendations on the stock.

FRANKFURT had a good start, encouraged by Chancellor Kohl's reaffirmation that *the solidarity pact* is the right package to get the economy on the growth track again, and his pressure on G7 countries to support the Russian president, Mr Boris Yeltsin.

The DAX index hit an intraday high of 1,671.89, up 12.44. However, immediate and domestic issues took over, with a March inflation rate of 4.3 per cent in two German states slightly above the February level; with higher postal services costs coming up, inflation is thought unlikely to fall below 4 per cent in the first half of this year.

The DAX index ended 2.30 lower at 1,657.15 as turnover eased from DM7bn to DM6.9bn. Daimler and Volkswagen continued to post gains, DM10.50 to DM616 and DM2.40 to DM305.80 on the disclosure of hidden reserves, and top management moves respectively; *and while some analysts said* that this was only a trading move, both shares picked up in the post bourse, to around DM620, and DM308.

ZURICH was enlivened by corporate results but, overall, the market continued its slow consolidation. The SMI index lost 9.3 to 2,137.5.

Sandoz bearers picked up from an early SFr50 decline to finish SFr10 ahead at SFr2,980 as the group lifted net profit to SFr1.5bn and announced a higher-than-expected 34 per cent rise in dividend.

Mr Eric Bernhardt of Union Bank of Switzerland in Zurich noted that the profits gain attributable to the company's switch to the International Accounting Standards, at 50 per cent, was lower than expected. "The fact that half of the rise came from higher operating margins is very positive."

However, he was revising down earnings estimates for this year and next by 5-6 per cent because of the uncertain outlook for pharmaceuticals *sales in the US and* Germany.

Swissair bearers rose SFr7 to SFr580 as analysts noted a halved dividend, and attributed a much higher than *expected group net* profit for 1992 to extraordinary items. One added: "These figures do not tell us anything about how the group will perform in 1993."

AMSTERDAM had to wait until after the close for VNU, the publishing group, to report a 59 per cent fall in 1992 net profits as it made a large provision for its printing division. The shares were 70 cents lower at Fl 101 as the *CBS Tendency* index slipped 0.1 to 105.8.

STOCKHOLM was supported by further interest in Ericsson which accounted for some 50 per cent of total turnover of SKr953m. The Affärsvärlden general index rose 3.9 to 986.2.

Ericsson B advanced SKr13 or 5.3 per cent *to* SKr260, a year's high, encouraged by strong order books for the first quarter of 1993.

DUBLIN was not overly impressed by the overnight bids for the government's Greencore stake, but the impetus from interest rate expectations continued and the ISEQ overall index recovered another 16.08 to 1,457.29.

COPENHAGEN again concentrated on the slide in Baltica Holding, down DKr19.79 or 25.7 per cent to DKr57.00. The KFX index closed 0.27 lower at 78.78 in turnover of DKr408m. Den Danske Bank, which has a 32 per cent stake in Baltica, regained DKr5 to DKr315.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

March 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1136.88	1135.92	1135.71	1133.57	1132.78	1132.06	1132.17	1133.08
FT-SE Eurotrack 200	1205.34	1202.80	1202.78	1200.54	1199.09	1199.86	1199.08	1200.17

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18
FT-SE Eurotrack 100	1130.66	1131.55	1129.55	1145.37	1148.55
FT-SE Eurotrack 200	1202.55	1203.95	1204.64	1223.70	1222.53

Base value 1000 (26/10/90) High/day: 100 - 1136.90; 200 - 1205.53 Low/day: 100 - 1131.33 200 - 1197.83

ASIA PACIFIC

Tokyo climbs as stronger dollar brings out investors

Tokyo

A WEAKER yen encouraged sentiment, and share prices rose on active trading as index-linked buying by arbitrageurs prompted purchases by institutional and individual investors, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed up 314.23 at 18,764.92. The index opened at the day's low of 18,471.96, and hit a high of 18,877.50 in the morning session. Share prices eased in the afternoon on profit-taking.

Volume rose from 356m *shares to 470m. Advances over*whelmed declines by 785 to 258, with 127 unchanged. The Topix index of all first section stocks gained 18.59 to 1,414.02 and, in *London, the ISE/Nikkei 50* index rose 7.12 to 1,129.91.

The dollar firmed Y1.22 against the yen, closing at Y117.15. US economic figures announced overnight encouraged hopes of a strengthening American economy, and the currency closed above Y117 for the first time in seven trading days.

Reports that a leading US securities house was advising investors to increase allocation to Japanese stocks also encouraged buying by institutional investors.

Yesterday's gains were led by a rise in Nippon Telegraph and Telephone, which closed up 18,000 to Y828,000 in active trading. Telecommunications related issues were also strong, with Fujikura up Y82 to Y760 and Furukawa Electric gaining Y100 to Y607.

High-technology exporters were higher on the lower yen. Fujitsu gained Y35 to Y640 and NEC, the most active issue of the day, gained Y63 to Y835.

Some investors bought cheap large capital stocks to lock in dividends, paid at the end of the financial year. Nippon Steel rose Y8 to Y335, and Mitsubishi Heavy Industries rose Y14 to Y564.

The forthcoming listing of JR East, expected in the third quarter of this year, buoyed railway-related issues. Keisei Electric Railway rose Y10 to Y1,090 and Tokyu Car, a rolling stock maker, Y10 to Y570.

Foreign buying lifted Nomura Securities, which firmed Y80 to Y1,880. Other *brokers were also strong with* Nikko Securities up Y23 to Y850 and Daiwa Securities advancing Y20 to Y1,060.

Food shares were lower on *profit-taking. Ajinomoto fell* Y10 to Y1,250 and Kirin Brewery fell Y10 to Y1,160.

In Osaka, the OSE average rose 218.59 to 19,659.09 in volume of *124.4m shares. Export*-oriented issues were higher on the lower yen.

Roundup

AN absence of fresh incentives and holidays in Jakarta and Kuala Lumpur made for a quiet day on the Pacific Rim.

HONG KONG was firmer but off the day's highs as profit-taking emerged when the Hang Seng index briefly topped the 6,300 level. At the close, the index was 34.78 ahead at 6,246.97 as turnover climbed to HK$3.7bn.

Property stocks, the star performers of the previous two days on hopes of a higher mortgage ceiling, saw strong profit-taking but most shares still finished higher. Sun Hung Kai Properties closed up 50 cents at HK$32.50 after touching HK$32.75 and Hysan rose 20 cents to HK$14.10.

Jardine Matheson rose 50 cents to HK$47.25 after better than expected 1992 profits.

AUSTRALIAN stocks edged down with the All Ordinaries index shedding 2.4 to 1,660.7 in weak turnover of A$260.1m.

However, the gold marker rose 16.3 to 1,140.0, aided by uncertainty over the outlook in Russia.

In the banking sector, Westpac fell 4 cents to A$2.98 in volume of 4.6m shares amid speculation about further prop*erty write-downs, involving as* much as A$900m.

NEW ZEALAND was unperturbed by a cabinet reshuffle and shares were firmer with *the NZSE-40 index 6.76 ahead* at 1,560.01.

Fletcher Challenge, which cleared the way for the sale of its methanol operations, gained 5 cents to NZ$2.45.

TAIWAN was mixed after late profit-taking cut early gains and the weighted index, which rose more than 50 points at one stage, ended 2.0 lower at 4,652.68 in turnover of T$51.2bn. Formosa Plastics added T$2.50 to T$45.10 on reports that it would soon start building its long-delayed naphtha cracker plant.

SOUTH AFRICA

DE BEERS and gold shares lifted the market as the bullion price firmed.

The gold index rose 54 to 1,069 with De Beers gaining R2.75 to R73.50. The overall index put on 47 to 3,563 and industrials 32 to 4,489.

Strong advances in Turkey and Taiwan

John Pitt reviews the performances of the world's emerging markets in February

INTEREST in emerging markets shifted away from Latin America in February, with the best performances coming from Turkey and Taiwan. However, Brazil still celebrated its carnival month, comfortably leading its own region.

Taiwan reacted favourably to the resignation of the prime minister, Hau Pei Tsun, and his replacement by Lien Chan, the first native born person to hold the post. Mr Peter Nankervis, of HG Asia in London, comments that the market has been the fastest growing in the region, with a 22 per cent rise in the weighted index in February continuing through to March when it reached an 11-month high. The rally was also accompanied by very high turnover.

Turkey was top performer among emerging markets this year according to data supplied by the IFC, part of the World Bank. It began to lift itself out of the doldrums at the end of December. Mr Kaya Didman of Baring Securities observes that *the market had been looking* oversold, given a fall of 52 per cent in dollar terms in 1992.

Technical factors accompanied the new mood of optimism *as the government cut* short-term interest rates, thereby triggering a demand for equities.

Mr Didman believes that *while the market has recently* entered a period of consolidation the outlook for the rest of the year remains favourable, given the forecast of strong corporate earnings growth.

Brazil has been fortified by efforts by the new government of President Itamar Franco to press ahead with economic reforms. However, as Ms Else Derrick of Latin American Securities comments, the market's recent rally has followed precedent: in the past a rise has always preceded the announcement of a new economic programme.

With Mr Franco likely to publish details of this programme before the April 21 plebiscite on constitutional change, Ms Derrick expects the market's strength to continue for another few weeks.

So far, Venezuela leads this year's laggards. First Boston, in a recent strategy document, notes that the market has been volatile pending December's presidential elections. "Given slower economic growth and higher inflation, export-orientated companies may be the best alternative in a difficult market," it says.

● The IFC has launched a new set of stock indices to monitor emerging markets. The new indices will differ from existing local ones by taking into account restrictions on foreign investment. Foreigners are often legally prevented from investing in ways that locals are not, said Mr Daniel Adams, IFC vice-president. IFC will compile the indices from its database of more than 1,000 stocks in developing countries.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: Feb 26 1993	Dollar terms: % Change over month	Dollar terms: % Change on Dec '92	Local currency terms: Feb 26 1993	Local currency terms: % Change over month	Local currency terms: % Change on Dec '92
Latin America							
Argentina	(30)	912.61	-6.5	-4.7	50,577,988	-6.4	-4.5
Brazil	(70)	123.08	+24.3	+21.7	747,606,498	+57.0	+97.4
Chile	(35)	1,883.35	-6.3	+5.3	5,684.52	-4.8	+7.6
Colombia	(20)	968.69	-5.4	-13.5	7,028.75	-4.4	-11.8
Mexico	(74)	1,650.78	-5.4	-10.7	26,371.89	-5.7	-11.4
Venezuela	(18)	387.33	+0.9	-14.7	4,270.58	+4.4	-9.8
East Asia							
South Korea	(134)	380.77	-5.0	-9.5	368.28	-4.8	-8.7
Philippines	(37)	1,870.90	+11.0	+16.3	2,387.86	+12.9	+17.1
Taiwan, China	(78)	605.97	+34.4	+34.3	395.16	+37.2	+37.4
South Asia							
India	(106)	329.14	-6.8	-5.0	798.05	-2.2	-0.0
Indonesia*	(41)	65.01	+8.8	+12.8	74.49	+8.7	+12.5
Malaysia	(66)	186.90	+2.8	-0.5	202.66	+3.2	+0.1
Pakistan	(65)	257.69	-5.9	-6.2	437.67	-4.8	-4.0
Thailand	(58)	652.80	-3.1	+7.8	610.99	-3.4	+7.4
Euro/Mid East							
Greece	(36)	344.24	+8.3	+17.9	595.07	+11.5	+21.5
Jordan	(29)	131.47	-3.5	+1.8	218.83	-3.2	+1.8
Portugal†	(38)	471.64	+3.6	+9.4	458.55	+7.6	+12.4
Turkey‡	(36)	213.80	+39.6	+40.6	2,546.79	+44.6	+48.6

Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Wed Mar 24 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Tue Mar 23 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	137.68	+0.0	137.69	101.70	116.57	129.76	+0.2	3.80	137.68	137.59	100.69	116.78	129.53	153.66	108.18	144.06
Austria (18)	140.66	-0.4	140.67	103.90	119.10	119.16	-0.6	1.90	141.21	141.13	103.28	119.78	119.94	166.70	131.16	172.37
Belgium (42)	148.57	-0.7	148.58	109.73	125.78	123.11	-0.8	4.95	149.59	149.50	109.40	126.88	124.14	152.27	131.19	137.69
Canada (113)	125.70	+0.3	125.70	92.84	106.41	113.27	+0.1	2.94	125.27	125.20	91.61	106.25	113.21	142.12	111.36	130.19
Denmark (33)	197.09	+0.1	197.10	145.58	166.87	167.94	+0.0	1.37	196.95	196.83	144.05	167.06	167.98	273.94	181.70	231.74
Finland (23)	73.74	+0.6	73.74	54.47	62.43	91.45	+1.0	1.39	73.12	73.08	53.48	62.02	90.54	89.80	52.84	77.51
France (98)	157.01	+0.3	157.02	115.97	132.92	136.45	+0.0	3.21	156.61	156.51	114.58	132.83	136.40	168.75	136.93	152.62
Germany (62)	112.07	+0.8	112.07	82.79	94.88	94.88	+0.6	2.24	111.14	111.07	81.29	94.27	94.27	129.69	101.69	117.63
Hong Kong (55)	249.46	+1.8	249.48	184.26	211.22	247.59	+1.8	3.74	245.15	245.00	179.29	207.95	243.32	262.26	176.36	210.05
Ireland (16)	151.06	+2.0	151.07	111.58	127.90	142.62	+1.7	3.68	148.14	148.05	108.35	125.66	140.24	173.71	122.98	158.93
Italy (73)	56.90	-0.7	56.90	42.03	48.17	67.69	+0.0	2.94	57.31	57.28	41.91	48.61	67.68	80.86	47.47	69.45
Japan (471)	119.90	-1.2	119.91	88.56	101.53	88.56	-0.2	0.84	121.35	121.28	88.75	102.95	88.75	140.95	87.27	107.36
Malaysia (69)	277.33	+0.0	277.34	204.83	234.79	277.43	+0.0	2.41	277.33	277.16	202.82	235.23	277.43	282.42	212.49	245.12
Mexico (18)	1544.12	+0.6	1544.21	1140.53	1307.33	5256.39	+0.5	1.14	1534.24	1533.30	1122.08	1301.36	5227.79	1789.77	1185.84	1733.76
Netherland (24)	165.27	-0.1	165.28	122.07	139.93	138.15	-0.3	4.09	165.52	165.41	121.05	140.40	138.62	169.70	147.88	149.86
New Zealand (13)	45.45	-0.6	45.45	33.57	38.48	45.34	-0.5	4.82	45.71	45.69	33.44	38.78	45.59	48.52	37.39	44.01
Norway (22)	153.84	+1.8	153.85	113.63	130.25	144.49	+1.5	1.83	161.12	151.03	110.53	128.19	142.30	192.85	128.05	169.58
Singapore (38)	217.81	-0.4	217.82	160.88	184.40	164.96	-0.2	2.01	218.56	218.45	159.86	185.40	165.35	229.63	179.65	206.92
South Africa (60)	171.67	+0.2	171.68	126.79	145.34	171.58	-0.2	2.93	171.31	171.20	125.28	145.30	171.93	263.80	134.21	228.20
Spain (46)	128.75	+0.2	128.76	93.63	107.31	111.63	-0.1	5.41	128.55	128.47	92.55	107.34	111.69	161.72	107.10	150.41
Sweden (36)	155.43	-0.4	155.44	114.81	131.60	178.44	-0.1	1.96	156.05	155.95	114.13	132.37	178.63	200.28	149.69	190.37
Switzerland (56)	114.48	-0.5	114.48	84.56	96.93	107.03	-0.8	2.02	115.08	115.01	84.17	97.63	107.84	122.37	95.99	98.98
United Kingdom (226)	171.64	-0.1	171.65	126.77	145.31	171.65	-0.1	4.29	171.85	171.76	125.67	145.75	171.75	200.07	161.86	170.38
USA (522)	182.77	-0.1	182.78	135.01	154.75	182.77	-0.1	2.77	183.01	182.90	133.85	155.24	183.01	186.27	160.92	166.65
Europe (775)	140.33	+0.0	140.33	103.65	118.81	131.51	+0.0	3.52	140.31	140.22	102.62	119.02	131.54	156.88	131.31	141.28
Nordic (114)	146.49	+0.0	146.50	108.20	124.03	146.38	+0.1	1.75	146.52	146.43	107.16	124.28	146.20	188.52	141.24	174.81
Pacific Basin (714)	124.58	-1.0	124.59	92.02	105.48	94.62	-0.1	1.27	125.80	125.72	92.00	106.70	94.72	141.97	93.70	112.04
Euro-Pacific (1489)	130.90	-0.5	130.91	96.68	110.82	109.55	-0.1	2.25	131.62	131.54	96.25	111.63	109.62	145.21	113.80	123.97
North America (635)	179.22	-0.1	179.23	132.39	151.76	178.06	-0.1	2.78	179.42	179.31	131.24	152.21	178.28	182.38	158.70	164.35
Europe Ex. UK (549)	121.01	+0.1	121.02	89.40	102.48	109.16	+0.0	2.99	120.89	120.81	88.43	102.56	109.16	132.98	111.33	123.18
Pacific Ex. Japan (243)	170.64	+0.6	170.65	126.06	144.49	156.29	+0.7	3.47	169.56	169.46	124.03	143.84	155.20	175.31	146.06	156.19
World Ex. US (1680)	132.02	-0.5	132.02	97.52	111.78	111.62	-0.1	2.27	132.67	132.59	97.04	112.54	111.68	146.91	115.89	126.39
World Ex. UK (1976)	145.88	-0.4	145.88	107.75	123.52	129.70	-0.1	2.28	146.41	146.33	107.09	124.20	129.82	150.58	127.21	136.03
World Ex. So. Af. (2142)	148.08	-0.3	148.09	109.38	125.38	133.08	-0.1	2.46	148.60	148.51	108.69	126.05	133.20	153.05	130.04	138.44
World Ex. Japan (1731)	164.55	+0.0	164.56	121.55	139.34	159.34	+0.0	3.05	164.58	164.48	120.38	139.62	159.40	166.44	151.93	157.01
The World Index (2202)	148.13	-0.3	148.14	109.42	125.43	133.44	-0.1	2.46	148.64	148.55	108.72	126.09	133.56	153.70	130.88	139.02

Latest prices were unavailable for this edition. Malaysian market closed March 24.